

**GALLANT PRECISION MACHINING CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2022 AND 2021**

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the "Group") as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard (IAS) No.34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on these interim the financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion, we conducted our reviews in accordance with the Statement of Auditing Standards No.65, "Review of Financial Statements". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain nonsignificant subsidiaries were not reviewed by independent auditors. These statements reflect total assets amounting to \$854,335 thousand and \$542,542 thousand, constituting 12% and 8% of the consolidated total assets, and total liabilities amounting to \$317,873 thousand and \$570,595 thousand, constituting 8% and 15% of the consolidated total liabilities as at March 31, 2022 and 2021, respectively, and total comprehensive (loss) income amounting to \$59,474 thousand and \$23,590 thousand, constituting 37% and 27% of the consolidated total comprehensive income (loss) for the three-month periods ended March 31, 2022 and 2021, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries and investments accounted for under equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of at March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three-month periods ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and IAS No.34, "Interim Financial Reporting" as endorsed by the FSC.

PricewaterhouseCoopers, Taiwan
May 5, 2022

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

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Assets	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 946,617	14	\$ 1,221,566	18	\$ 1,251,088	19
1136	Financial assets at amortized cost - current	6(3) and 8	616,003	9	659,218	10	743,880	11
1150	Notes receivable, net	6(4)	21,633	1	39,362	-	20,004	-
1170	Accounts receivable, net	6(4)	2,010,670	29	1,844,643	27	1,831,522	28
1180	Accounts receivable to related parties, net	6(4) and 7	6,033	-	45,288	1	5,116	-
1200	Other receivables		16,984	-	4,243	-	13,673	-
1210	Other receivables - related parties	7	21	-	-	-	-	-
130X	Inventories, net	6(5)	1,019,127	15	799,399	12	1,073,980	17
1410	Prepayments		63,444	1	64,923	1	97,747	2
1470	Other current assets		13,198	-	8,028	-	10,237	-
11XX	Current Assets		<u>4,713,730</u>	<u>69</u>	<u>4,686,670</u>	<u>69</u>	<u>5,047,247</u>	<u>77</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income	6(2)	1,000,421	14	935,284	14	409,988	6
1535	Financial assets at amortized cost - non-current	6(3) and 8	17,687	-	17,898	-	22,615	1
1600	Property, plant and equipment, net	6(6) and 8	741,753	11	746,793	11	721,077	11
1755	Right-of-use assets	6(7)	255,152	4	257,077	4	264,573	4
1780	Intangible assets, net		13,062	-	13,772	-	17,643	-
1840	Deferred income tax assets		128,068	2	130,888	2	85,208	1
1900	Other non-current assets		10,273	-	8,029	-	10,760	-
15XX	Non-current assets		<u>2,166,416</u>	<u>31</u>	<u>2,109,741</u>	<u>31</u>	<u>1,531,864</u>	<u>23</u>
1XXX	Total assets		<u>\$ 6,880,146</u>	<u>100</u>	<u>\$ 6,796,411</u>	<u>100</u>	<u>\$ 6,579,111</u>	<u>100</u>

(Continued)

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2022		December 31, 2021		March 31, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term loans	6(8)	\$ 848,181	13	\$ 1,000,565	15	\$ 1,200,624	18
2130	Contract liabilities-current	6(18)	217,546	3	222,518	3	264,257	4
2150	Notes payable		4,903	-	8,683	-	2,820	-
2170	Accounts payable	6(9)	1,257,739	18	1,239,331	18	1,395,152	21
2180	Payables to related parties	7	6,780	-	12,039	-	57,956	1
2200	Other payables	6(10)	365,169	5	401,251	6	256,750	4
2230	Current income tax liabilities		69,353	1	37,634	1	16,677	-
2250	Provisions for liabilities-current		103,676	2	101,578	1	110,243	2
2280	Lease liabilities-current		22,305	-	21,622	-	19,392	1
2320	Long-term loans-current portion	6(11) and8	44,343	1	38,193	1	18,693	-
2399	Other current liabilities - other		8,795	-	9,757	-	14,597	-
21XX	Current Liabilities		<u>2,948,790</u>	<u>43</u>	<u>3,093,171</u>	<u>45</u>	<u>3,357,161</u>	<u>51</u>
	Non-current liabilities							
2540	Long-term loans	6(11)and8	457,597	7	389,857	6	121,939	2
2570	Deferred income tax liabilities		119,794	2	119,161	2	100,521	1
2580	Lease liabilities-non-current		239,310	3	241,474	3	249,779	4
2600	Other non-current liabilities		43,981	-	44,429	1	49,886	1
25XX	Non-current liabilities		<u>860,682</u>	<u>12</u>	<u>794,921</u>	<u>12</u>	<u>522,125</u>	<u>8</u>
2XXX	Total Liabilities		<u>3,809,472</u>	<u>55</u>	<u>3,888,092</u>	<u>57</u>	<u>3,879,286</u>	<u>59</u>
	Equity attributable to owners of parent company							
	Share capital	6(14)						
3110	Share capital-common stock		1,651,361	24	1,651,361	24	1,651,361	25
	Capital surplus	6(15)						
3200	Capital surplus		226,704	3	226,704	3	187,088	3
	Retained earnings	6(16)						
3310	Legal reserve		163,550	2	163,550	2	148,486	2
3320	Special reserve		111,147	2	111,147	2	132,987	2
3350	Unappropriated retained earnings		419,308	6	310,619	5	315,936	5
	Other equity interest	6(17)						
3400	Other equity interest		69,661	1	60,035	1	(29,324)	-
3500	Treasury shares	6(14)	(81,555)	(1)	(81,555)	(1)	(108,425)	(2)
31XX	Equity attributable to owners of the parent company		<u>2,560,176</u>	<u>37</u>	<u>2,441,861</u>	<u>36</u>	<u>2,298,109</u>	<u>35</u>
36XX	Non-controlling interest		<u>510,498</u>	<u>8</u>	<u>466,458</u>	<u>7</u>	<u>401,716</u>	<u>6</u>
3XXX	Total equity		<u>3,070,674</u>	<u>45</u>	<u>2,908,319</u>	<u>43</u>	<u>2,699,825</u>	<u>41</u>
	Contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity		<u>\$ 6,880,146</u>	<u>100</u>	<u>\$ 6,796,411</u>	<u>100</u>	<u>\$ 6,579,111</u>	<u>100</u>

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

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

	Items	Notes	Three-month periods ended March 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 1,094,735	100	\$ 1,065,313	100
5000	Operating costs	6(5)(23)(24) and 7	(756,551)	(69)	(840,212)	(79)
5900	Net operating margin		<u>338,184</u>	<u>31</u>	<u>225,101</u>	<u>21</u>
	Operating expenses	6(23)(24)				
6100	Selling expenses		(35,787)	(3)	(39,581)	(4)
6200	General and administrative expenses		(111,501)	(10)	(54,233)	(5)
6300	Research and development expenses		(73,603)	(7)	(86,550)	(8)
6450	Expected credit impairment gain (loss)	12(2)	17,428	1	26,057	2
6000	Total operating expenses		<u>(203,463)</u>	<u>(19)</u>	<u>(154,307)</u>	<u>(15)</u>
6900	Operating profit		<u>134,721</u>	<u>12</u>	<u>70,794</u>	<u>6</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	2,900	-	3,500	-
7010	Other income	6(20)	17,826	2	14,581	2
7020	Other gains and losses	6(21)	38,864	3	(6,834)	(1)
7050	Finance costs	6(22)	(4,826)	-	(4,287)	-
7000	Total non-operating income and expenses		<u>54,764</u>	<u>5</u>	<u>6,960</u>	<u>1</u>
7900	Profit before tax		<u>189,485</u>	<u>17</u>	<u>77,754</u>	<u>7</u>
7950	Income tax expense	6(25)	(43,950)	(4)	(10,703)	(1)
8200	Profit for the period		<u>\$ 145,535</u>	<u>13</u>	<u>\$ 67,051</u>	<u>6</u>
	Other comprehensive income for the period					
	Items that will not be reclassified subsequently to profit or loss:					
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	6(2) 6(17)	(\$ 22,944)	(2)	\$ 32,630	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	2,613	-	(2,363)	-
8310	Items that will not be reclassified subsequently to profit or loss:		<u>(20,331)</u>	<u>(2)</u>	<u>30,267</u>	<u>3</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations	6(17)	37,151	4	(9,661)	(1)
8360	Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>37,151</u>	<u>4</u>	<u>(9,661)</u>	<u>(1)</u>
8300	Other comprehensive income (loss) for the period		<u>\$ 16,820</u>	<u>2</u>	<u>\$ 20,606</u>	<u>2</u>
8500	Total comprehensive income for the period		<u>\$ 162,355</u>	<u>15</u>	<u>\$ 87,657</u>	<u>8</u>
	Profit attributable to:					
8610	Equity holders of the parent company		\$ 108,689	10	\$ 61,866	6
8620	Non-controlling interest		36,846	3	5,185	-
	Profit for the period		<u>\$ 145,535</u>	<u>13</u>	<u>\$ 67,051</u>	<u>6</u>
	Total comprehensive income attributable to:					
8710	Equity holders of the parent company		\$ 118,315	11	\$ 80,888	7
8720	Non-controlling interest		44,040	4	6,769	1
	Total comprehensive income for the period		<u>\$ 162,355</u>	<u>15</u>	<u>\$ 87,657</u>	<u>8</u>
	Earnings per share (In dollars)					
9750	Basic earnings per share	6(26)	\$ 0.68		\$ 0.39	
9850	Diluted earnings per share	6(26)	\$ 0.67		\$ 0.39	

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
	Notes	Retained Earnings					Other Equity Interest			Total	Non-controlling interest	Total equity
		Share capital-common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(Loss) on financial assets at fair value through other comprehensive income	Treasure stock			
For the three-month period ended												
March 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 period		-	-	-	-	61,866	-	-	-	61,866	5,185	67,051
Other comprehensive income for the period	6(17)	-	-	-	-	-	(7,206)	26,228	-	19,022	1,584	20,606
Total comprehensive income for the period		-	-	-	-	61,866	(7,206)	26,228	-	80,888	6,769	87,657
Recognition of changes in ownership interest in subsidiaries		-	-	-	-	-	-	-	-	-	(59,791)	(59,791)
Balance at March 31, 2021		\$ 1,651,361	\$ 187,088	\$ 148,486	\$ 132,987	\$ 315,936	(\$ 87,780)	\$ 58,456	(\$ 108,425)	\$ 2,298,109	\$ 401,716	\$ 2,699,825
For the three-month period ended												
March 31, 2022												
Balance at January 1, 2022		\$ 1,651,361	\$ 226,704	\$ 163,550	\$ 111,147	\$ 310,619	(\$ 49,419)	\$ 109,454	(\$ 81,555)	\$ 2,441,861	\$ 466,458	\$ 2,908,319
Profit for the period		-	-	-	-	108,689	-	-	-	108,689	36,846	145,535
Other comprehensive income for the period	6(17)	-	-	-	-	-	22,650	(13,024)	-	9,626	7,194	16,820
Total comprehensive income for the period		-	-	-	-	108,689	22,650	(13,024)	-	118,315	44,040	162,355
Balance at March 31, 2022		\$ 1,651,361	\$ 226,704	\$ 163,550	\$ 111,147	\$ 419,308	(\$ 26,769)	\$ 96,430	(\$ 81,555)	\$ 2,560,176	\$ 510,498	\$ 3,070,674

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

		For the three-month periods ended March 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		\$ 189,485	\$ 77,754
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(23)	14,732	14,485
Amortization	6(23)	1,226	2,952
(Gain on reversal of) expected credit loss	12(2)	(17,428)	(26,057)
Interest expense	6(22)	4,826	4,287
Interest income	6(19)	(2,900)	(3,500)
Gain on lease modification	6(21)	-	(110)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		18,761	(5,739)
Accounts receivable		(133,213)	(252,139)
Accounts receivable - related parties		41,715	5,489
Other receivables		(12,821)	(3,979)
Other receivables - related parties		(21)	-
Inventories		(213,823)	(243,306)
Prepayments		1,756	(22,800)
Other current assets		(5,058)	2,050
Other non-current assets		448	35
Net changes in liabilities relating to operating activities			
Contract liabilities		(5,762)	(3,217)
Notes payable		(3,780)	2,820
Accounts payable		14,076	329,313
Accounts payable - related parties		(6,350)	24,149
Other payables		(26,350)	(27,883)
Other payables - related parties		-	(470)
Provisions for liabilities		1,883	(15,848)
Unearned receipts		(1,300)	794
Other current liabilities		250	(1,324)
Net defined benefit liabilities		(1,394)	(1,526)
Cash (used in) generated from operations		(141,042)	(143,770)
Interest received		2,980	3,321
Interest paid		(4,783)	(4,131)
Income tax paid		(6,246)	(1,682)
Net cash (used in) provided by operating activities		(149,091)	(146,262)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(\$ 88,081)	(\$ 209,390)
Acquisition of financial assets at amortized cost		(23,974)	(45,321)
Proceeds from disposal of financial assets at amortized cost		86,282	
Acquisition of property, plant and equipment	6(27)	(12,902)	(8,546)
Proceeds from disposal of property, plant and equipment		-	29
Acquisition of intangible assets		(320)	(110)
Refundable deposits paid		(2,130)	
Refundable deposits refunded		-	4,077
Net cash (used in) provided by investing activities		(41,125)	(259,261)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from short-term loans	6(28)	336,832	726,664
Repayment of short-term loans	6(28)	(489,216)	(580,450)
Proceeds from long-term loans	6(28)	80,000	-
Repayment of long-term loans	6(28)	(6,111)	(6,111)
Repayment of the principal portion of lease liabilities	6(28)	(5,504)	(5,058)
Subsidiaries acquired treasury stock		-	(59,791)
Net cash (used in) provided by financing activities		(83,999)	75,254
Effect of fluctuations in exchange rate		(734)	(2,712)
Net decrease in cash and cash equivalents		(274,949)	(332,981)
Cash and cash equivalents at beginning of period	6(1)	1,221,566	1,584,069
Cash and cash equivalents at end of period	6(1)	\$ 946,617	\$ 1,251,088

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 5, 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 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.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
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 adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the FSC.
- B. Please refer to the Group’s consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- a. Financial assets at fair value through other comprehensive income.
 - b. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2021.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	59.58	59.58	58.93	
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	100	Note 4
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	Investing in Gallant Precision Machinery (Xiamen) Co., Ltd.	-	-	100	Note 2 Note 4
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	100	Note 4
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the “KMC”)	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	100	

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Gallant Micro Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Engaged in the import and export and trading business of semiconductor machines and related parts	100	100	100	
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	76.02	Note 4
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100	Note 4
KMC	Investing in Gallant Micro Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	100	
GPM(BVI)	Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	-	-	100	Note 2 Note 4
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant International Trading Co., Ltd.	Engaged in selling of mechatronics equipment	-	-	-	Note 1
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	60	60	60	Note 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	100	-	Note 3 Note 4

Note 1: The subsidiary has been completed the dissolution and liquidation procedures in February, 2021.

Note 2: The subsidiary has been completed the dissolution and liquidation procedures in May, 2021.

Note 3: 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.

Note 4: The financial statements of the entity as of March 31, 2022 and 2021 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

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

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

E. Significant restrictions: None.

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

As of March 31, 2022, December 31, 2021 and March 31, 2021, the non-controlling interest amounted to \$510,498, \$466,458 and \$401,716, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$ 437,633	40.42	\$ 400,440	40.42	\$ 346,718	41.07

Summarized financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 1,788,568	\$ 1,778,250	\$ 1,485,062
Non-current assets	675,429	696,990	656,614
Current liabilities	(1,103,970)	(1,201,807)	(966,720)
Non-current liabilities	(261,859)	(267,466)	(268,982)
Total net assets	\$ 1,098,168	\$ 1,005,967	\$ 905,974

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Revenue	\$ 394,270	\$ 249,283
Profit before income tax	\$ 103,354	\$ 7,756
Income tax expense	(24,005)	(1,274)
Profit for the period from continuing operations	79,349	6,482
Profit for the period	79,349	6,482
Other comprehensive income, net of tax	12,852	4,388
Total comprehensive income for the period	\$ 92,201	\$ 10,870
Comprehensive income attributable to non-controlling interest	\$ 37,268	\$ 4,511
Dividends paid to non-controlling interest	\$ -	\$ -

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Net cash provided by (used in) operating activities	\$ 50,756	(\$ 79,614)
Net cash provided by (used in) investing activities	(4,855)	(56,361)
Net cash provided by (used in) financing activities	(119,739)	80,882
Effect of exchange rates on cash and cash equivalents	6,325	(851)
Increase (decrease) in cash and cash equivalents	(67,513)	(55,944)
Cash and cash equivalents, beginning of period	516,024	356,779
Cash and cash equivalents, end of period	<u>\$ 448,511</u>	<u>\$ 300,835</u>

(4) Employee benefits

Pensions

Defined benefit plans

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

(5) Income tax

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

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

There have been no significant change as of March 31, 2022. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand and revolving funds	\$ 269	\$ 289	\$ 292
Checking accounts	26	27	26
Demand deposits	946,322	1,221,250	1,250,770
Total	<u>\$ 946,617</u>	<u>\$ 1,221,566</u>	<u>\$ 1,251,088</u>

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

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

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

<u>Items</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Non-current items:</u>			
<u>Equity instruments</u>			
Listed stocks	\$ 726,421	\$ 653,340	\$ 209,390
Non-Listed stocks	94,407	79,407	73,907
Valuation adjustment	179,593	202,537	126,691
Total	<u>\$ 1,000,421</u>	<u>\$ 935,284</u>	<u>\$ 409,988</u>

A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As at March 31, 2022, December 31, 2021, and March 31, 2021, the fair value of such investments amounted to \$1,000,421, \$935,284 and \$409,988, respectively.

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

	<u>For the three-month period ended March 31, 2022.</u>	<u>For the three-month period ended March 31, 2021.</u>
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	(\$ 22,944)	\$ 32,632
Dividend income recognized in profit or loss held at end of period	\$ -	\$ -

(3) Financial assets measured at amortized cost

<u>Items</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Current items:</u>			
Time deposits	\$ 616,003	\$ 659,218	\$ 743,880
<u>Non-current items:</u>			
Time deposits	17,687	17,898	22,615
Total	<u>\$ 633,690</u>	<u>\$ 677,116</u>	<u>\$ 766,495</u>

- A. The Group transacts with financial institutions with high credit quality.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets measured at amortized cost is provided in Note 12(2). The Group investment in time deposit with financial institutions with high credit quality, and expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 21,633	\$ 39,362	\$ 20,004
Accounts receivable	\$ 2,201,261	\$ 2,051,835	\$ 2,004,869
Accounts receivable - related parties	6,033	45,288	5,116
Less: allowance for bad debts	(190,591)	(207,192)	(173,347)
	<u>\$ 2,016,703</u>	<u>\$ 1,889,931</u>	<u>\$ 1,836,638</u>

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

	<u>March 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,777,123	\$ 21,633	\$ 1,676,605	\$ 39,362
0 to 90 days	194,183	-	164,424	-
91 to 120 days	32,627	-	41,906	-
Over 120 days	203,361	-	214,188	-
	<u>\$ 2,207,294</u>	<u>\$ 21,633</u>	<u>\$ 2,097,123</u>	<u>\$ 39,362</u>

	<u>March 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,653,148	\$ 20,004
0 to 90 days	155,086	-
91 to 120 days	23,667	-
Over 120 days	178,084	-
	<u>\$ 2,009,985</u>	<u>\$ 20,004</u>

The above ageing analysis was based on past due date.

- B. As at March 31, 2022, December 31, 2021, March 31, 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$2,228,927, \$2,136,485, \$2,029,989 and \$1,779,166, respectively.
- C. As at March 31, 2022, December 31, 2021, and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$21,633, \$39,362 and \$20,004, \$2,016,703, \$1,889,931 and \$1,836,638, respectively.
- D. The Group does not hold any collateral as security.

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

(5) Inventories

March 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 232,424	(\$ 27,800)	\$ 204,624
Work in process	798,557	(96,638)	701,919
Finished goods	188,738	(91,833)	96,905
Inventory in transit	15,679	-	15,679
Total	\$ 1,235,398	(\$ 216,271)	\$ 1,019,127
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 174,788	(\$ 28,302)	\$ 146,486
Work in process	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
March 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 175,833	(\$ 25,454)	\$ 150,379
Work in process	708,373	(82,079)	626,294
Finished goods	359,100	(66,894)	292,206
Inventory in transit	5,101	-	5,101
Total	\$ 1,248,407	(\$ 174,427)	\$ 1,073,980

The cost of inventories recognized as expense for the period:

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Cost of goods sold	\$ 764,174	\$ 842,005
(Gain on reversal of market value) loss on decline in market value	(7,623)	(1,793)
	\$ 756,551	\$ 840,212

The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of disposal and sold inventory.

(6) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leased assets</u>	<u>Others</u>	<u>Total</u>
At January 1, 2022							
Cost	\$ 134,686	\$ 604,358	\$ 164,309	\$ 35,025	\$ 70,762	\$ 65,970	\$ 1,075,110
Accumulated depreciation and impairment	-	(168,934)	(90,847)	(21,509)	(19,948)	(27,079)	(328,317)
	<u>\$ 134,686</u>	<u>\$ 435,424</u>	<u>\$ 73,462</u>	<u>\$ 13,516</u>	<u>\$ 50,814</u>	<u>\$ 38,891</u>	<u>\$ 746,793</u>
2022							
Opening net book amount as at January 1	\$ 134,686	\$ 435,424	\$ 73,462	\$ 13,516	\$ 50,814	\$ 38,891	\$ 746,793
Additions	-	-	219	1,822	-	-	2,041
Depreciation charge	-	(3,050)	(2,034)	(1,718)	(576)	(1,518)	(8,896)
Net exchange differences	-	32	408	138	-	1,237	1,815
Closing net book amount as at March 31	<u>\$ 134,686</u>	<u>\$ 432,406</u>	<u>\$ 72,055</u>	<u>\$ 13,758</u>	<u>\$ 50,238</u>	<u>\$ 38,610</u>	<u>\$ 741,753</u>
At March, 31, 2022							
Cost	\$ 134,686	\$ 604,404	\$ 167,929	\$ 35,573	\$ 70,762	\$ 65,824	\$ 1,079,178
Accumulated depreciation and impairment	-	(171,998)	(95,874)	(21,815)	(20,524)	(27,214)	(337,425)
	<u>\$ 134,686</u>	<u>\$ 432,406</u>	<u>\$ 72,055</u>	<u>\$ 13,758</u>	<u>\$ 50,238</u>	<u>\$ 38,610</u>	<u>\$ 741,753</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leased assets</u>	<u>Others</u>	<u>Total</u>
At January 1, 2021							
Cost	\$ 134,686	\$ 604,467	\$ 112,531	\$ 32,802	\$ 65,682	\$ 71,388	\$ 1,021,556
Accumulated depreciation and impairment	-	(156,763)	(85,880)	(19,061)	(17,644)	(21,232)	(300,580)
	<u>\$ 134,686</u>	<u>\$ 447,704</u>	<u>\$ 26,651</u>	<u>\$ 13,741</u>	<u>\$ 48,038</u>	<u>\$ 50,156</u>	<u>\$ 720,976</u>
2021							
Opening net book amount as at January 1	\$ 134,686	\$ 447,704	\$ 26,651	\$ 13,741	\$ 48,038	\$ 50,156	\$ 720,976
Additions	-	-	6,996	452	-	2,059	9,507
Disposals	-	-	(24)	(5)	-	-	(29)
Depreciation charge	-	(3,050)	(1,644)	(1,415)	(322)	(2,509)	(8,940)
Net exchange differences	-	(39)	(93)	(31)	-	(274)	(437)
Closing net book amount as at March 31	<u>\$ 134,686</u>	<u>\$ 444,615</u>	<u>\$ 31,886</u>	<u>\$ 12,742</u>	<u>\$ 47,716</u>	<u>\$ 49,432</u>	<u>\$ 721,077</u>
At March, 31, 2021							
Cost	\$ 134,686	\$ 604,467	\$ 117,371	\$ 32,147	\$ 65,682	\$ 71,391	\$ 1,025,744
Accumulated depreciation and impairment	-	(159,852)	(85,485)	(19,405)	(17,966)	(21,959)	(304,667)
	<u>\$ 134,686</u>	<u>\$ 444,615</u>	<u>\$ 31,886</u>	<u>\$ 12,742</u>	<u>\$ 47,716</u>	<u>\$ 49,432</u>	<u>\$ 721,077</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the three month periods ended March 31, 2022 and 2021, respectively.

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

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

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

(7) Leasing arrangements—lessee

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 201,280	\$ 200,030	\$ 204,498
Buildings	53,872	57,047	60,068
Office equipment (multifunction printers)	-	-	7
	<u>\$ 255,152</u>	<u>\$ 257,077</u>	<u>\$ 264,573</u>

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,508	\$ 1,489
Buildings	4,328	4,032
Office equipment (multifunction printers)	-	24
	<u>\$ 5,836</u>	<u>\$ 5,545</u>

- D. The additions to right-of-use assets were \$2,759 and \$12,324 for the three-month periods ended March 31, 2022 and 2021, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,331	\$ 1,408
Expense on short-term lease contracts	3,668	4,355
Expense on leases of low-value assets	115	79

- F. The Group's total cash outflow for leases were \$10,618 and \$10,900 for the three-month periods ended March 31, 2022 and 2021, respectively.
- G. Extension and termination options

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

(8) Short-term borrowings

Type of borrowings	March 31, 2022	Interest rate range	Collateral
Unsecured Banking Loan	\$ 848,181	0.82%~1.88%	None
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,000,565	0.7%~1.23%	None
Type of borrowings	March 31, 2021	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,200,624	0.63%~1.34%	None

(9) Accounts payable

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts payable	\$ 1,058,896	\$ 1,101,914	\$ 1,136,560
Estimated accounts payable	198,843	137,417	258,592
	<u>\$ 1,257,739</u>	<u>\$ 1,239,331</u>	<u>\$ 1,395,152</u>

(11) Others accounts payable

	March 31, 2022	December 31, 2021	March 31, 2021
Accrued salaries	\$ 154,334	\$ 200,874	\$ 101,609
Accrued employees' bonuses and directors' remuneration	99,517	74,158	45,881
Payables on equipment - Fixed assets	964	11,825	1,346
Payables on equipment - Intangible assets	164	-	-
Others	110,190	114,394	107,914
	<u>\$ 365,169</u>	<u>\$ 401,251</u>	<u>\$ 256,750</u>

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31,2022
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	0.98%	Note	200,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.18%	Note	\$ 62,965
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.05%	Note	2,875

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31,2022</u>
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2021 to March 31, 2024, the principal shall be paid off on the maturity date).	0.94%	Note	100,000
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments.	1.27%	Note	56,100
Unsecured borrowings	The mortgage borrowings is recyclable from January 18, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	0.91%	Note	80,000
				<u>501,940</u>
Less: current portion			(<u>44,343</u>)
			\$	<u>457,597</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Mortgage borrowings	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, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2022 to March 31, 2024, the principal shall be paid off on the maturity date).	0.94%	Note	100,000

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Mortgage borrowings	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)
				<u>\$ 389,857</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2021</u>
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.18%	Note	69,107
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	8,625
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	62,900
				140,632
Less: current portion				(18,693)
				<u>\$ 121,939</u>

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

(12) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% and 7% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$135 and \$11 for the three month periods ended March 31, 2022 and 2021, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2022 are \$7,135.

- 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 three month periods ended March 31, 2022 and 2021 were \$10,224 and \$10,207, respectively.

(13) Share-based payment

- A. For the three-month periods ended March 31, 2022, the Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting contiditions</u>
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:

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

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Equity settled	\$ <u><u>-</u></u>	<u><u>-</u></u>

(14) Share capital

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

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

	Unit: shares in thousands	
	<u>2022</u>	<u>2021</u>
At January 1 (At March 31)	<u>160,623</u>	<u>159,136</u>

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousands shares of the Company. All the acquired shares will be reissued to employees. As of March 31, 2022, the Company has acquired 6000 thousands shares.

C. Treasury shares

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

		Unit: share in thousands March 31,2022	
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 31,2021	
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

		March 31,2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	6,000	\$ 108,425

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

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

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares acquired to maintain the Company's credit and shareholders' rights and interests should amend registration and cancel the shares within six months from the acquired date.

(15) Capital surplus

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

B. Details of Capital surplus:

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of subsidiaries	Employee stock option	Total
At January 1, 2022 and At March 31, 2022	\$ 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	Employee stock option	Total
At January 1, 2021 and At March 31, 2021	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,326	\$ 4,446	\$ 187,088

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting. The ratio of cash dividend shall not be less than 10% of the shareholders' dividend.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C.(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of the date of transition, the Company recognized \$132,987 special reserve.
- (c) The aforementioned special surplus reserve were reversed amounting to \$21,840 due to liquidation of subsidiaries for year ended December 31, 2021.
- D. On March 16, 2022, the Board of directors proposed to distribute earnings for 2021 and the shareholders resolved that total dividends for the distribution of earnings for the year of 2020 was as following:

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

- E. On March 16, 2022, the Board of Directors had proposed 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.

(17) Other equity items

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

	2021		
	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Currency translation	Total
At January 1	\$ 32,228	(\$ 80,574)	(\$ 48,346)
Revaluation - group	26,231	-	26,231
Revaluation - tax	(3)	-	(3)
Currency translation differences:- group	-	(7,206)	(7,206)
At March 31	<u>\$ 58,456</u>	<u>(\$ 87,780)</u>	<u>(\$ 29,324)</u>

(18) Operating revenue

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Revenue from Contracts with Customers	<u>\$ 1,094,735</u>	<u>\$ 1,065,313</u>

A. Disaggregation of revenue from contracts with customers

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

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

For the three-month period ended March 31, 2021	Taiwan	China	Other	Total
Total segment revenue	\$ 437,415	\$ 740,915	\$ 6,692	\$ 1,185,022
Inter-segment revenue	(84,526)	(35,166)	(17)	(119,709)
Revenue from external customer contracts	<u>\$ 352,889</u>	<u>\$ 705,749</u>	<u>\$ 6,675</u>	<u>\$ 1,065,313</u>
Timing of revenue recognition				
At a point in time	\$ 350,046	\$ 705,541	\$ 5,836	\$ 1,061,423
Over time	<u>2,843</u>	<u>208</u>	<u>839</u>	<u>3,890</u>
	<u>\$ 352,889</u>	<u>\$ 705,749</u>	<u>\$ 6,675</u>	<u>\$ 1,065,313</u>

B. Contract liabilities

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

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Contract liabilities	<u>\$ 217,546</u>	<u>\$ 222,518</u>	<u>\$ 264,257</u>	<u>\$ 267,883</u>

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

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Revenue recognized that was included in the contract liability balance at the beginning of the period	<u>\$ 113,755</u>	<u>\$ 62,452</u>

(19) Interest income

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Interest income from bank deposits	<u>\$ 2,900</u>	<u>\$ 3,500</u>

(20) Other income

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2021
Rental revenue	\$ 6,725	\$ 6,556
Government subsidy income	6,332	7,780
Others income - others	<u>4,769</u>	<u>245</u>
	<u>\$ 17,826</u>	<u>\$ 14,581</u>

Note: Government subsidy income were implementation of the industrial upgrading and innovation counseling plan for Ministry of Economic Affairs.

(21) Other gains and losses

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Net currency exchange (losses) gains	\$ 40,128	(\$ 5,991)
Gains arising from lease modifications	-	110
Others	(1,264)	(953)
	<u>\$ 38,864</u>	<u>(\$ 6,834)</u>

(22) Finance costs

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Interest expense	\$ 4,826	\$ 4,287

(23) Expenses by nature

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Employee benefit expense	\$ 257,776	\$ 213,009
Depreciation charges	\$ 14,732	\$ 14,485
Amortization charges on intangible assets	\$ 1,226	\$ 2,952

(24) Employee benefit expense

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Wages and salaries	\$ 222,873	\$ 175,841
Labour and health insurance fees	16,749	18,731
Pension costs	10,359	10,218
Other personnel expenses	7,795	8,219
	<u>\$ 257,776</u>	<u>\$ 213,009</u>

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

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

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

B. For the periods ended March 31, 2022 and 2021, employees' compensation was accrued at \$12,729 and \$698, respectively; directors' and supervisors' remuneration was accrued at \$76 and \$196, respectively.

For the period ended March 31, 2022, employees' compensation and directors' and supervisors' remuneration were accrued based on the profit at 10.05% and 0.06%, respectively.

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

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Current tax:		
Current tax on profits for the period	\$ 32,761	\$ 327
Prior year income tax (over) underestimate	<u>5,122</u>	<u>-</u>
Total current tax	<u>37,883</u>	<u>327</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>6,067</u>	<u>10,376</u>
Total deferred tax	<u>6,067</u>	<u>10,376</u>
Income tax expense	<u>\$ 43,950</u>	<u>\$ 10,703</u>

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

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(\$ 2,613)</u>	<u>\$ 2,363</u>

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

(26) Earnings per share

	<u>For the three-month period ended March 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 108,689</u>	160,623	<u>\$ 0.68</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	<u>-</u>	<u>1,267</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 108,689</u>	<u>161,890</u>	<u>\$ 0.67</u>

	<u>For the three-month period ended March 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 61,866</u>	159,136	<u>\$ 0.39</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	<u>-</u>	<u>734</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 61,866</u>	<u>159,870</u>	<u>\$ 0.39</u>

(27) Supplemental cash flow information

Investing activities with partial cash payments

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Purchase of property, plant and equipment	\$ 2,041	\$ 9,507
Add: opening balance of payable on equipment	11,825	385
Less: ending balance of payable on equipment	(964)	(1,346)
Cash paid during the year	<u>\$ 12,902</u>	<u>\$ 8,546</u>

(28) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Leases liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2022	\$ 1,000,565	\$ 428,050	\$ 3,614	\$ 263,096	\$ 1,695,325
Changes in cash flow from financing activities	(152,384)	73,890	-	(5,504)	(83,998)
Interest expense	-	-	-	1,331	1,331
Payment of interest	-	-	-	(1,331)	(1,331)
Changes in other non-cash items	-	-	-	1,264	1,264
Charges in lease liabilities	-	-	-	2,759	2,759
At March 31, 2022	<u>\$ 848,181</u>	<u>\$ 501,940</u>	<u>\$ 3,614</u>	<u>\$ 261,615</u>	<u>\$ 1,615,350</u>

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Leases liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2021	\$ 1,054,410	\$ 146,743	\$ 3,531	\$ 262,310	\$ 1,466,994
Changes in cash flow from financing activities	146,214	(6,111)	-	(5,058)	135,045
Interest expense	-	-	-	1,408	1,408
Payment of interest	-	-	-	(1,408)	(1,408)
Changes in other non-cash items	-	-	-	(295)	(295)
Gain on lease modification	-	-	-	(110)	(110)
Charges in lease liabilities	\$ -	-	-	12,324	12,324
At March 31, 2021	<u>\$ 1,200,624</u>	<u>\$ 140,632</u>	<u>\$ 3,531</u>	<u>\$ 269,171</u>	<u>\$ 1,613,958</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

(2) Significant related party transactions

A. Operating revenue:

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Sales of goods:		
Associate	<u>\$ 36</u>	<u>\$ -</u>

B. Purchases:

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Purchases of goods:		
Substantive related party	<u>\$ 7,652</u>	<u>\$ 48,713</u>

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

C. Receivables from related parties:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable:			
Associates	\$ 4,899	\$ 44,154	\$ 5,116
Substantive related party	1,134	1,134	-
Subtotal	<u>\$ 6,033</u>	<u>\$ 45,288</u>	<u>\$ 5,116</u>
Other accounts receivable:			
Associates	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>

D. Payables to related parties:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts payable:			
Associates	\$ -	\$ 436	\$ -
Substantive related party	6,780	11,603	57,956
Subtotal	<u>\$ 6,780</u>	<u>\$ 12,039</u>	<u>\$ 57,956</u>

(3) Key management compensation

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Payroll and Salaries and other short-term employee benefits	\$ 12,031	\$ 15,741
Post-employment benefits	377	581
Total	<u>\$ 12,408</u>	<u>\$ 16,322</u>

8. PLEGGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	
Time deposits (shown as "financial assets at amortised cost current")	\$ -	\$ -	\$ 5,647	Exercise guarantee for construction
Time deposits (shown as "financial assets at amortised cost non-current")	17,687	17,898	22,615	Exercise guarantee for construction and customs deposit
Property, plant and equipment	509,286	512,556	620,649	Long-term borrowings
	<u>\$ 526,973</u>	<u>\$ 530,454</u>	<u>\$ 648,911</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingent liabilities

As of March 31, 2022 and December 31, 2021 and March 31, 2021, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$15,303, \$27,115 and \$83,954, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

No significant change was made during the three-month period ended March 31, 2022. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2021.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets at fair value through other comprehensive income	\$ 1,000,421	\$ 935,284	\$ 409,988
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	946,617	1,221,566	1,251,088
Financial assets at amortised cost	633,690	677,116	766,495
Notes receivables	21,633	39,362	20,004
Accounts receivables (related party)	2,016,703	1,889,931	1,836,638
Other accounts receivables	17,005	4,243	13,673
Guarantee deposits paid	9,291	7,076	8,592
	<u>\$ 4,645,360</u>	<u>\$ 4,774,578</u>	<u>\$ 4,306,478</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 848,181	\$ 1,000,565	\$ 1,200,624
Notes payable	4,903	8,683	2,820
Accounts payable (related party)	1,264,519	1,251,370	1,453,108
Other accounts payable (related party)	365,169	401,251	256,750
Long-term borrowings (including current portion)	501,940	428,050	140,632
Guarantee deposits received	3,614	3,614	3,531
	<u>\$ 2,988,326</u>	<u>\$ 3,093,533</u>	<u>\$ 3,057,465</u>
Leases liabilities	<u>\$ 261,615</u>	<u>\$ 263,096</u>	<u>\$ 269,171</u>

B. Financial risk management policies

No significant change was made during the three-month period ended March 31, 2022. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2021.

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:

	March 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 55,999	28.63	\$ 1,602,960
JPY:NTD	112,448	0.2353	26,468
RMB:NTD	43,549	4.506	196,233
USD: RMB	1,318	6.3526	37,729
<u>Non-monetary items</u>			
USD:NTD	\$ 6,993	28.63	\$ 200,178
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 11,239	28.63	\$ 321,719
JPY:NTD	187,187	0.2353	44,045
RMB:NTD	10,946	4.506	49,325
<u>Non-monetary items</u> : None			

		December 31, 2021		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	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
<u>Non-monetary items :None</u>				
USD:NTD	\$	7,716	27.68	\$ 213,582
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	14,994	27.68	\$ 415,029
JPY:NTD		123,915	0.2405	29,801
RMB:NTD		8,622	4.344	37,454
<u>Non-monetary items :None</u>				

		March 31, 2021		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	59,807	28.54	\$ 1,706,584
JPY:NTD		189,351	0.2577	48,796
RMB:NTD		48,970	4.344	212,727
USD: RMB		1,007	6.5688	28,742
<u>Non-monetary items :None</u>				
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	26,885	28.54	\$ 767,155
JPY:NTD		93,392	0.2577	24,067
RMB:NTD		8,708	4.344	37,828
<u>Non-monetary items :None</u>				

- ii . Total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2022 and 2021, amounted to \$40,128 and (\$5,991), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the three-month period ended March 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 16,030	\$ -
JPY:NTD	1%	265	-
RMB:NTD	1%	1,962	-
USD: RMB	1%	377	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	2,002
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 3,217)	-
JPY:NTD	1%	(440)	-
RMB:NTD	1%	(493)	-

For the three-month period ended March 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 17,066	-
JPY:NTD	1%	488	-
RMB:NTD	1%	2,127	-
USD: RMB	1%	287	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 7,672)	-
JPY:NTD	1%	(241)	-
RMB:NTD	1%	(378)	-

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 and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax

profit for the three-month periods ended March 31, 2022 and 2021 would have increased/decreased by \$10,004 and \$4,100, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the periods ended March 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in the NTD, JPY, USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the three-month periods ended March 31, 2022 and 2021 would have increased/decreased by \$8,166 and \$6,730, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customer's accounts receivable, in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

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

viii. The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. The provision matrix as of March 31, 2022, December 31, 2021 and March 31, 2021 is as follows:

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

December 31, 2021	Not past due	Between 0 -90 days past due	Between 91 -120 days past due	Between 120 days past due	Total
Expected loss rate	0.00%-1.15%	0.00%-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

March 31, 2021	Not past due	Between 0 -90 days past due	Between 91 -120 days past due	Between 120 days past due	Total
Expected loss rate	0.00%-1.15%	0.00%-31.43%	0.05%-34.45%	0.30%-100%	
Total book value	\$ 1,653,148	\$ 155,086	\$ 23,667	\$ 178,084	\$2,009,985
Loss allowance	\$ 6,074	\$ 16,584	\$ 6,134	\$ 144,555	\$ 173,347

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

	For the three-month period ended March 31, 2022
	<u>Accounts receivable</u>
At January 1	\$ 207,192
Reversal of impairment loss	(17,428)
Effect of foreign exchange	827
At March 31	<u>\$ 190,591</u>
	<u>For the three-month period ended March 31, 2021</u>
	<u>Accounts receivable</u>
At January 1	\$ 199,508
Reversal of impairment loss	(26,057)
Effect of foreign exchange	(104)
At March 31	<u>\$ 173,347</u>

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

For the three-month period ended March 31, 2022				
Lifetime				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost				
Group 1	\$ 128,277	\$ -	\$ -	\$ 128,277
Group 2	490,875	-	-	490,875
Group 3	14,538	-	-	14,538
	<u>\$ 633,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,690</u>
For the year ended December 31, 2021				
Lifetime				
	12 months	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
	<u>\$ 677,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,116</u>
For the three-month period ended March 31, 2021				
Lifetime				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost				
Group 1	\$ 201,582	\$ -	\$ -	\$ 201,582
Group 2	547,558	-	-	547,558
Group 3	17,355	-	-	17,355
	<u>\$ 766,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 766,495</u>
Group 3:Taiwai Bank				
Group 3:China Bank				
Group 3:Other regional Bank				

(c) Liquidity risk

- i . Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii . Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and financial assets at amortised cost (the period of time deposits are between 3 and 12 months), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at March 31, 2022, December 31, 2021 and March 31, 2021, the Group held money market position of \$1,562,325, \$1,880,468 and \$1,994,650, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Floating rate:			
Expiring within one year	\$ 2,346,319	\$ 2,029,944	\$ 1,841,971
Expiring beyond one year	<u>5,100</u>	<u>33,400</u>	<u>5,100</u>
	<u>\$ 2,351,419</u>	<u>\$ 2,063,344</u>	<u>\$ 1,847,071</u>

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

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

December 31, 2021	<u>Less than 3 months</u>	<u>3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 751,632	\$ 248,933	\$ -	\$ -	\$ -
Notes payable	3,780	4,903	-	-	-
Accounts payable (related party)	735,697	238,080	277,593	-	-
Other payables (related party)	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:

March 31, 2021	<u>Less than 3 months</u>	<u>3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 803,758	\$ 396,866	\$ -	\$ -	\$ -
Notes payable	2,820	-	-	-	-
Accounts payable (related party)	986,388	209,074	-	257,646	-
Other payables (related party)	172,359	84,391	-	-	-
Leases liabilities	5,174	14,538	17,884	42,852	232,835
Long-term borrowings (including current portion)	3,658	16,642	17,211	42,025	69,524

Derivative financial liabilities:

As at March 31, 2022, December 31, 2021 and March 31, 2021: None.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the 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, and long-term borrowings (including current portion) are approximate to their fair values.

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

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

March 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 769,396</u>	<u>\$ -</u>	<u>\$ 231,025</u>	<u>\$ 1,000,421</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 706,197</u>	<u>\$ -</u>	<u>\$ 229,087</u>	<u>\$ 935,284</u>
March 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 230,205</u>	<u>\$ -</u>	<u>\$ 179,783</u>	<u>\$ 409,988</u>

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

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

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

- ii . Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- 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 March 31, 2022, December 31, 2021 and March 31, 2021, there was no transfer into or out from Level 3.
- E. The following chart is the financial instruments movement of Level 3 for the three-month periods ended March 31, 2022 and 2021:

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
	<u>equity instrument</u>	<u>equity instrument</u>
At January 1	\$ 229,087	\$ 167,966
Acquired	15,000	-
Gains and losses recognized in other comprehensive income	(13,062)	11,817
At March 31	<u>\$ 231,025</u>	<u>\$ 179,783</u>

F. For the three-month periods ended March 31, 2022 and 2021, there was no transfer into or out from Level 3.

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

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

	<u>March 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 200,178	Market comparable companies	Price to book ratio multiple	1.39~1.37	The higher the multiple, the higher the fair value
Unlisted shares	30,847		Net asset value	-	
	<u>December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 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	-	
	<u>March 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 169,469	Market comparable companies	Price to book ratio multiple	1.17~4.67	The higher the multiple, the higher the fair value
Unlisted shares	10,314		Net asset value	-	

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

		<u>March 31, 2022</u>			
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
<u>Input</u>	<u>Change</u>				
Financial assets					
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 2,002 (\$ 2,002)

		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)	
		March 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%	\$ -	\$ -	\$ 1,701	(\$ 1,701)	

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

The Group assessed that COVID -19 has no significant impact on the Group's continued operations, asset impairment and financing risks.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

(4) Information of major shareholder

Information of major shareholder: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Information about segment

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

For the three-month period ended March 31, 2022

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

For the three-month period ended March 31, 2021

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	\$ 782,559	\$ 22,898	\$ 249,283	\$ -	\$ 10,573	\$ -	\$ 1,065,313
Inter-segment revenue	\$ 4,043	\$ 83,568	\$ 36,059	\$ -	\$ -	(\$ 123,670)	\$ -
Segment income	\$ 72,250	(\$ 9,382)	\$ 7,144	\$ 539	\$ 2,740	\$ 4,463	\$ 77,754
Total segment assets	\$ 5,216,082	\$ 438,429	\$ 2,141,676	\$ 765,405	\$ 78,281	(\$ 2,060,762)	\$ 6,579,111

(3) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the three-month periods ended March 31, 2022 and 2021 is provided as follows:

	<u>For the three-month period ended March 31, 2022</u>	<u>For the three-month period ended March 31, 2021</u>
Reportable segments income/(loss)	\$ 290,346	\$ 73,291
Other	(100,861)	4,463
Income/(loss) before tax from continuing operations	<u>\$ 189,485</u>	<u>\$ 77,754</u>

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

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

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Assets of reportable segments	\$ 7,961,137	\$ 8,639,873
Elimination of intersegment assets	(1,080,991)	(2,060,762)
Total assets	<u>\$ 6,880,146</u>	<u>\$ 6,579,111</u>

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company(Note 1)	Financing Company's Total Financing Amount Limits (Note 1)	Footnote
													Item	Value			
1	Gallant Micro-Machining Co., Ltd.	Utron Technologies Corp	Other receivables	Y	\$ 50,000	\$ 50,000	\$ 30,000	2.00%	Short-term financing	-	Operating needed	-	Promised note	50,000	\$ 108,272	\$ 216,543	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables	N	\$ 3,150	\$ 3,150	\$ 2,250	2.50%	Short-term financing	-	Operating needed	-	-	-	\$ 6,366	\$ 12,733	

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

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

Note2 : Utron Technologies Corp Financings provided:

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

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

Table 1

Table 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period Party	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable(Note1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	. APEX-I International Co., Ltd.	Subsidiary	\$ 512,035	\$ 97,250	\$ 97,250	\$ -	\$ -	3.80%	\$ 1,280,088	Y	N	N	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary	512,035	28,625	28,625	-	-	1.12%	1,280,088	Y	N	Y	
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	216,543	126,200	126,200	86,100	-	11.66%	541,358	Y	N	N	

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

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

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

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

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

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

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

Table 2

Table 3

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

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

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	March 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	10,110,682	499,973	6.64	499,973	
Gallant Precision Machining Co., Ltd	AMPOC FAR-EAST CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	5,000,000	210,000	4.37	210,000	
Gallant Precision Machining Co., Ltd	Ohmplus Technologies Inc.	None	Financial assets at fair value through other comprehensive income-non-current	495,000	5,500	9.75	5,500	
Gallant Precision Machining Co., Ltd	OpXion Tech. Incorporation	None	Financial assets at fair value through other comprehensive income-non-current	3,000,000	15,000	9.68	15,000	
Gallant-Rapid Corpration Ltd.	Phoenix Pioneer Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	669,375	10,347	0.59	10,347	
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	59,423	0.79	59,423	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	None	Financial assets at fair value through other comprehensive income-non-current	624,726	200,178	10.15	200,178	

Table 3

Table 4

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

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

Company Name	Related Party	Nature of Relationship	Ending Balance(Note1)	Turnover	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action Taken		
Gallant Micro. Machining Co., Ltd.	KING MECHATRONICS CO., LTD	Subsidiary	\$ 130,203	1.85	\$ -	-	\$ -	\$ -

Table 4

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	\$ 23,880	subject to the terms and conditions agreed upon by both parties	2.18
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Accounts payable	33,392	subject to the terms and conditions agreed upon by both parties	0.49
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	49,306	subject to the terms and conditions agreed upon by both parties	4.50
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	130,203	subject to the terms and conditions agreed upon by both parties	1.89
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Sales	10,726	subject to the terms and conditions agreed upon by both parties	0.98
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts receivable	14,016	subject to the terms and conditions agreed upon by both parties	0.20
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	Accounts payable	15,862	subject to the terms and conditions agreed upon by both parties	0.23

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

(1) Number 0 represents the Company.

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

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

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 5

Table 6

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

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2022			Net Income (Losses) of the Investee (Note1)	Share of Profits/Losses of Investee (Note1)	Footnote
				March 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 459,050	13,560,000	100.00	\$ 265,821	\$ 4,739	\$ 4,739	
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	138,122	48,957	48,957	
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	643,889	79,163	47,165	
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	933,251	16,538	16,538	
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	2,685	33	33	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and sales of testing equipment of PBC and related systems	53,212	53,212	2,660,600	76.02	48,987	774	589	

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

Table 6

Table 7

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note2(2))	Carrying Amount as of March 31, 2022	Accumulated Inward Remittance of Earnings as of March 31, 2022	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 180,910	Indirectly invest in Mainland China through GRC registered in third region.	\$ 150,024	\$ -	\$ -	\$ 150,024	\$ 4,332	100.00	\$ 4,332	\$ 235,125	\$ -	Note2- 2.C
Suzhou Top Creation Machines Co., Ltd	Manufacturing of wet production equipment for PBC	157,438	Indirectly invest in Mainland China through Power Ever registered in third region .	26,445	-	-	26,445	-	10.15	-	200,178	8,236	Note2- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	130,244	Indirectly invest in Mainland China through KMC registered in third region.	230,233	-	-	230,233	19,312	100.00	19,312	749,892	-	Note2- 2.B
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	45,060	Directly invest by GPI.	-	-	-	-	11,656	60.00	6,994	86,117	-	Note2- 2.C
Kunshan Qihong Electronic Sales Co., Ltd.	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor	4,506	Directly invest by GMM.	-	-	-	-	343	100.00	343	7,130	-	Note4

Table 7

Investee Company	Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 405,346	\$ 559,463	\$ 1,842,404
Gallant Micro. Machining Co., Ltd.	256,678	256,678	658,900

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 three month period ended March 31, 2022.

Note5: 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=1:28.625 on March 31, 2022

Table 7-1

Table 8

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

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	43,892,827	26.57%

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.