



Gallant Precision Machining Co., Ltd.

2020 Annual Shareholder's Meeting

Meeting Agenda
(Translation)

Date : June 17, 2020

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Gallant Precision Machining Co., Ltd.

2020 Annual Shareholder's Meeting Procedure

I. Call Meeting to Order

II. Chairman's Address

III. Report Items

IV. Recognition Items

V. Discussion Items

VI. Election Items

VII. Other Items

VIII. Special Motions

IX. Meeting Adjourn

Gallant Precision Machining Co., Ltd.

2020 Annual General Shareholders' Meeting Agenda

Time : 9:00a.m., June 17, 2020, Wednesday.

**Place: No.1, Gongye E. 2nd Rd., East Dist., Science-Based Industrial Park, Hsinchu,
30075, Taiwan.(Einstein Hall, HSP Link)**

I. Report Items :

- (1) To report the Business of 2019.
- (2) Audit committee's review report of 2019.
- (3) To report the distribution of employees' and directors' remuneration of 2019.
- (4) Report on cash dividend and dividend distribution in 2019.
- (5) Report on the implementation of the treasury share buyback.

II. Recognition Items :

- (1)To accept 2019 Business Report and Financial statements.
- (2)To approve the proposal for the distribution of 2019 earnings.

III. Discussion Items:

- (1) To revise the Articles of Incorporation.

IV. Election Items:

- (1) Election of the 15th Board of Director and Independent Director.

V. Other Items:

- (1) To lift non-competition restrictions on new directors and their representatives.

VI.Special Motions

VII.Meeting Adjourned

Report Items

1. Business report for 2019

Explanation :

The 2019 Business Report is attached hereto as Attachment 1(pages 8~13).

2. Audit committee's review report of 2019.

Explanation :

The 2019 Audit Committee's review report is as follows:

Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earning Distribution Proposal for the year of 2019. LI, TIEN YI and Kwok-ah Tsang, Certified Public Accountants of PWC, have audited the Financial Statements. The 2019 Business Report, Financial Statements, and Earning Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Gallant Precision Machining Co., Ltd., as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

The 2020 General Shareholders' Meeting of Gallant Precision Machining Co., Ltd.

Chairman of the Audit Committee :

洪偉仁

March 24, 2020

3. To report the distribution of employees' and directors' remuneration of 2019.

Explanation :

As a result of the resolution of the Board of Directors, the Company shall distribute an employee's bonus of NT\$39,008,146 and directors' remuneration of NT\$6,611,550 in cash which are within the limits stipulated in the Articles of Association. The amount of the aforesaid remuneration proposed to be distributed is the same as the amount of the book.

4. Report on cash dividend and dividend distribution in 2019.

Explanation :

The board of directors approved the company in the meeting on March 24, 2020 to allocate shareholders' bonus of NT\$247,704,216 in cash.

The cash dividend rate of the earnings distribution table is calculated based on the number of shares outstanding as in the resolution of the Board of Directors of the Company. The book-close date and other related matters not included shall be entrusted to the general shareholders' meeting to authorize the Board of Directors to handle.

The minimum amount of cash dividend distribution is NT\$1 (decimals will be discarded), and the total of allotments less than NT\$1 shall be booked as other income of the Company.

If the number of shares outstanding and the corresponding cash dividend rate are changed in the future due to the Company's share repurchase or transfer and conversion of treasury shares, they shall be entrusted to the general shareholders' meeting to fully authorize the Board of Directors to handle and adjust accordingly.

5. Report on the implementation of the treasury share buyback.

Explanation :

- (1) The buyback of Treasury shares shall be handled in accordance with article 28-2 of the Securities and Exchange Act.
- (2) Gallant Precision Machining Co., Ltd. passed the repurchase of the company's shares on March 24, 2020. The content and execution of the resolution are as follows:
- (3) Please refer to Attachments4 (pages 41~42) for the Regulations of first buyback share transfer to employee in 2020.

As of 04/30/2020

Treasury stocks: Batch Order	13 th Batch
Purpose of buy-back	Transfer to employee
Timeframe of buy-back	2020/03/25~2020/05/24
Price range	NT \$8.65~25.15
Class, quantity of shares bought back	Common Stock 6,000,000 shares
Value of shares bought-back (in NT\$ thousands)	65,960
Shares sold/transferred	0
Accumulated number of company shares held	3,762,000
Percentage of total company shares held (%)	2.28%

Recognition Items

1. To accept 2019 Business Report and Financial statements. (proposed by the Board of Directors)

Explanation :

- (1) The 2019 financial statements of the Company were approved by the Board of Directors on March 24, 2020 and audited by the accountants, LI, TIEN YI and Kwok-ah Tsang of PWC Taiwan, and were sent to the Audit Committee, and an audit report was issued accordingly.
- (2) For the 2019 Business Report, Independent Auditor's Report, and the 2019 Financial Statements, please refer to Attachments 1 and 2 (pages 8~13 and pages 14~38).

Resolution :

2. To approve the proposal for the distribution of 2019 earnings. (proposed by the Board of Directors)

Explanation :

Earnings Distribution Proposal :

Amount in NT\$	
Items	Amount
Unappropriated retained earnings from previous years	128,257,866
Plus: Net Income of 2019	249,157,667
Less: change of remeasurements on defined benefit plan	(1,518,460)
Less: 10% Legal Reserve	(24,763,921)
Retained Earnings Available for Distribution as of December 31, 2019	351,133,152
Distribution Item:	
Cash Dividends to Common Share Holders (NT\$1.5 per share)	(247,704,216)
Unappropriated Retained Earnings	103,428,936

Resolution :

Discussion Items

1. To revise the Articles of Incorporation. (proposed by the Board of Directors)

Explanation :

The company's actual operational requirements and the Financial Supervisory Commission letter of April 25, 2019, Jin-Guan-Zheng-Jiao-Zi No.1080311451 stipulated that the nomination system for candidates for

directors and supervisors of listed (OTC) companies shall be adopted and stated in the articles of incorporation. Shareholders shall be elected from the list of candidates for directors and supervisors, and this order will be effective from January 1, 2021.

The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment 3 on page 39~40.

Resolution :

Election Items

**1. Election of the 15th Board of Director and Independent Directors.
(proposed by the Board of Directors)**

Explanation :

- (1) The Company shall elect the 15th-term Directors (including the Independent Directors) during the general shareholders' meeting of the current year. There are 7 Directors (Including 3 Independent Directors) to be elected, and the term of the elected Directors (including Independent Directors) will be 3 years, from June 17, 2020 to June 16, 2023.

The former Directors shall be dismissed from the positions at the time the new Directors take office.

- (2) The Company chooses to set up the Audit Committee according to the provisions of the Securities Exchange Law and the Articles of Association, and therefore there shall not be supervisors according to law. The Audit Committee is composed of all the Independent Directors.
- (3) According to the Company's Article of Incorporation, directors shall be elected by adopting candidate nomination system and nomination and election of the directors shall be conducted in accordance with the applicable laws and regulations. Shareholders shall elect the directors from the nominated candidates. The academic background, experience and relevant information of the nominated candidates are attached hereto as Attachment 5(pages 43~44).

Results :

Other Items

1. To lift non-competition restrictions on new directors and their representatives. (proposed by the Board of Directors)

Explanation :

- (1) According to Article 209 of the Company Act, any Director conducting business for himself/herself/itself or on another's behalf, whereby the scope of the business coincides with the scope of the Company's business, shall explain at the Shareholders' Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.
- (2) It is proposed for the shareholders meeting to lift non-competition restrictions on new Board members and their representatives. The list of competition restrictions on Directors Candidates proposed to be released is attached hereto as Attachment 6 (page 45).

Resolution :

Special Motions

Meeting Adjourns

Attachment 1 :

Gallant Precision Machining Co., Ltd.

2019 Business Report

In 2019, the total operating income of the Company was NT\$3,335,058 thousand, showing a decreased of 1.49% over last year. In terms of profit, the net profit after tax was NT\$249,158 thousand, a decreased of 32.68% compared with the last year. The gross profit margin increased by 1.84% from last year and the net profit per share was NT\$1.51.

(1) Summary of the Company's financial income and expense and profitability

Financial analysis data		For 2019
Debt to asset ratio (%)	(%)	54.92
Long-term funds to fixed assets ratio	(%)	691.13
Return on total assets	(%)	5.16
Return on shareholders' equity	(%)	10.37
Percentage to paid-in capital (%)	Operating profit	13.69
	Pre-tax net profit	17.23
Net profit margin	(%)	7.47
Earnings per Share	(NTD)	1.51

(2) Products that have been developed by the Company in 2019

R&D Item (Processing Technology)	Names of machine developed
	● Picosecond Imaging Circuit Analysis , PICA I
	● G10.5 Wet Etching
	● Wafer 2D AOI
	● Parts/Material AGV
	● IC Substrate Grinding MC
	● Strip Disc Grinding MC
	● Edge Grinding Machine
	● IDMS I

II. 2019 Business Plan Summary

1. Annual Operating Policy

(1) Business Aspect

- Differentiation, diversification, expansion, next generation display industry.

- Extend, promote and branding intelligent automation industry.
 - Refine, combine, focus and innovate semiconductor industry.
- A. The foundation of the company is the research and development technology of the existing display equipment. The foreign technical cooperation, focus and deeply development of FPD next generation high value-added equipment drive the company to diversify and manage in a sustainable way in order to expand the future in the display industry innovation and progress.
 - B. We continue to differentiate existing products (such as the introduction of IDMS) and optimize cost strategies to increase product competitiveness and profitability. We also continue to upgrade existing core technologies and expand new FPD markets (Micro / Mini-LED), and extend the market niche of next generation display.
 - C. We take profit as the priority and master the current key advanced technology. Based on our electromechanical and software integration technology and QDTCSS, the intelligent production management system is the backbone to build a quality production system in the smart factory, intelligent logistics and intelligent dynamic process equipment. We continue to expand the results of intelligent automation, and pool our resources to provide strategic partners and key industry representative customers with intelligent automation integration solutions to help them achieve their smart manufacturing goals.
 - D. We expand smart logistics to develop potential customers and promote them to the needs of other customers. IDMS strengthens the promotion of IoT system products to various industries, introduces key industrial equipment, strengthens the promotion of 3D online system products to key industries with imported value, and provides AOI + AI service solutions to enhance the brand image and express our customers.
 - E. Through technology introduction/cooperation, we link the needs of our partners and customers to develop high value-added advanced detection technology in the early stage of semiconductor, and improve the detection and flattening of the packaging process in the middle and final stages. Moreover, we focus on the performance of existing IC board products and product lines to expand customer base.
 - F. With the professional niche of development process equipment and long-term efforts in display industry technology, we quickly transform into Micro/Mini LED equipment diversified supply, and then increase the competitiveness of next generation products to achieve the goal of sustainable business.
 - G. We focus on core semiconductor technology, innovation and connection of international research and development resources. We understand Taiwan semiconductor marker and provide customers with process solutions. Quality is the priority to us. We improve the overall competitiveness and grasp the market trends in order to improve customer competitiveness and differentiation.
 - H. We have passed the ISO 9001 (Quality Management System) and ISO 45001 (Occupational Health and Safety Management Systems) certification. We provide more accurate and

practical international management process standards for various industrial fields, especially in the semiconductor industry. We have moved to higher standards in the quality management of all work and the overall safety and health management of the factory to protect customer rights. We also standardize employee discipline and execution, and require the overall quality of suppliers.

- I. We use the company's professional manufacturing brand image and popularity, and through effective management, to develop OEM/ODM services, win international orders, reduce the impact of industrial cycle, promote customer alliance to other industrial areas and expand revenue sources.
- J. We make good use of the existing after-sales service mechanism, deepen the relationship with customers, help improve the production efficiency of the factory, achieve long-term business opportunities with value-added services, and seek a win-win strategy for customers and companies.
- K. We pursue innovation and sustainable management, continue to expand and cooperate with world-class companies in different industries, become long-term automation equipment partners, accelerate the research and development of new products, help customers launch new products timely and enter new markets, and build a long-term stable and profitable system.

(2) R&D Aspect

Strengthen the development of the Company's eight core technologies: (1) grinding technology (2) wet process technology (3) AOI technology (4) lamination and peeling (5) Testing technology (6) Measurement technology (8) Artificial intelligence technology and other core technologies

Integrate products in different areas and create value-added, expand the core technology in application in displays, semiconductors, IC Substrate, Smart Factory, Smart Machine and Smart Transportation.

The Company's plans to develop following products in 2021:

R&D Item (Processing Technology)	Names of machine to be developed
	● Picosecond Imaging Circuit Analysis , PICA II
	● Emission Microscopy , EMMI
	● 12" Wafer 2D/3D Defect Inspection & Metrology
	● AI Defect Inspection System
	● High precision Grinding Machine for Fan-out packaging.
	● 3D on-line Processing system.
	● AGV with visual Simultaneous Localization and Mapping.
	● Automatic loading and unloading AGV for 300mm wafer cassette.

	● Warehouse Automated Guided Vehicle positioning System.
	● Dual Spindle Strip Grinding
	● IDMS II
	● Mobile Robot

2. The Company's forecast on sales volume and its basis for 2020:

Unit: set

Main products	2020 Budget
Display processing equipment	119
Semiconductor processing equipment	28
Intelligent automation equipment	672
Other equipment	24

Note: The forecast is based on the customers' forecast, taking into account the market conditions.

3. Important production and marketing policies

- A. Integrate cross-strait operation system, talents and resources, strengthen the integration of customer management, sales and efficiency, give full play to the comprehensive effect, and continue to promote the mainland market competitiveness.
- B. Conduct strategic alliance with industry-university-research units and end customers, continuously improve system integration capability and develop new products and technologies in new fields such as display, semiconductor and intelligent automation, to improve marketing efficiency and achieve differentiated niche.
- C. Strengthen product cost control mechanism, together with design improvement, efficiency improvement and supply chain management, increase orders of high-gross margin products, and ensure reasonable profit of products.
- D. Continuously promote the intelligence, modularization and standardization of major products, simplify the manufacturing process, improve product function and reliability, and reduce costs.
- E. To meet the customer demand for fast delivery, effectively control quantity and amount of raw materials and inventory, reduce inventory turnover days and reduce loss on inventory falling price.
- F. Accelerate installation and acceptance efficiency, improve after-sales service quality to ensure customer satisfaction, establish a win-win service system with customers and continuously strengthen accounts receivable and cash flow management.

III. Future Development Strategy:

- Adopt innovation transformation, market extension, sustainable development as the guid-

ing principle of development strategy.

- Business Aspect
 - Deepen promotion of development of the display industry, semiconductor industry and intelligent automation industry.
- Product Aspect
 - Deeply develop core technologies (equipment & processes).
 - Extend core technology for cross-industrial product integration application development.
- Internationalization strategy of diverse talents cultivation

IV. The Impact from the External Competitive Environment, the Regulatory Environment and the Overall Business Environment:

1. The impact of the external competitive environment:

This year, due to the two major factors of China-United States trade war and COVID-19 (coronavirus) epidemic, the industrial operating environment is changing rapidly, and the market and product application trends are changing in various ways. In the face of the declining business cycle of the display industry, fierce external competition, and the Chinese government's promotion of localization of equipment, the display industry, the main source of the company's business in the past, has become increasingly competitive and difficult, constantly testing the adaptability of the company's management team.

Gallant Precision Machining Co., Ltd. will continue to strengthen its own product technology and introduce foreign advanced technology to improve the quality and level of product functions and get rid of low-price competition. Gallant Precision Machining also develops different industries such as semiconductor, Micro / Mini LED and smart manufacturing and expands markets besides China.

In the face of changes in the industry and operating environment, Gallant Precision Machining will also have a stable, accurate and rapid response capability, and has established a diversified business layout and industry development goals.

2. Regulatory Environment:

Integrity is deep rooted in the Company's core culture. As a result, the Company has been complying with legal norms, honest, and self-disciplined in its business. In addition to collecting information concerning external regulatory changes at any time for the management's reference, the Company is establishing, reviewing, updating and adjusting its internal management and operational rules and regulations in order to actively respond to various changes in the regulatory environment.

3. Overall Business Environment:

- (1) At present, the international economy is facing many variables, and it has been affected by COVID-19 epidemic this year and the trade war between the United

States and China in recent years. China is still the world's factory, and the production status has affected the delivery speed of various products and supply chains. According to the current forecast of major research institutions, the economic growth and investment activities of the world will be lower than expected in the first half of this year. However, the expected global demand for all products is not reduced. The current supply is only delayed. It is predicted that the overall economy will gradually recover in the second half of the year. Gallant Precision Machining will meet the changing situation and create a future with diversified business orders, more flexible manufacturing speed, strong internal production and marketing function and long-term external cooperation of the supply chain system.

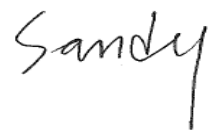
- (2) The COVID-19 epidemic and the US-China trade war have accelerated the speed of some enterprises in Chinese to move abroad, move back to Taiwan or choose to set up factories in Vietnam, Thailand and other Southeast Asian countries to spread the risk. However, Southeast Asian countries lack technical personnel and the high labor costs have become irreversible situations of the region. Only when smart/automated system equipment replaces manual production can we have the opportunity to improve the overall quality of local manufacturing plants. With its long-term efforts in the field of equipment manufacturing and the special advantage of Taiwan in this wave of supply chain readjustment, Gallant Precision Machining will attract overseas Taiwanese businesses and international manufacturers to choose us as a joint partner.
- (3) In addition, artificial intelligence, Internet of things, big data, etc., are more comprehensive for automation applications. Gallant Precision Machining has the technology of application process solutions for automation equipment across multiple technology industries. In recent years, it has fully cooperated with world-renowned manufacturers in key industries and achieved considerable results in integrating intelligent automation solutions.
- (4) Gallant Precision Machining envisions the future. By virtue of the excellent management team, the professional technical ability and the effort of all the colleagues, Gallant Precision Machining is sure to achieve the goals and obtain the best operating results.



Sheng-Fa (Nick) , Yeh
Chairman



Cheng-Hsin (Jason), Chen
President



Yu-Chin (Sandy), Ning
Chief Financial Officer

Attachment 2 :

- Independent Auditors' Report and Individual Financial Statements

REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Gallant Precision Machining Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the Other matter section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 「Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020」 and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis

for our opinion.

Key Audit Matters

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

Evaluation of inventories

Description

Gallant Precision Machining Co., Ltd is primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(11) of the parent company only financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the parent company only financial statements. The inventories and allowance for inventory valuation loss amounting to NT773,132 thousand and NT63,315 thousand as of December 31, 2019 are disclosed in Note 6(5) of the parent company only financial statements.

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

How our audit addressed the matter

Our audit procedures performed included the following:

1. Obtained an understanding and assessed the reasonableness of the policy of the allowance for inventory valuation loss and compared whether consistent application of accounting policies in relation to the provision for inventory valuation losses.
2. Tested the accuracy of inventory aging report, included tested whether the quantity and

amount of inventory is consistent with inventory ledger and verify the accuracy of the inventory age classification.

3. Assessed and confirmed the reasonableness in estimation of net realizable value and checked the related supporting documents.
4. Tested the reasonableness in accrual of the allowance for inventory valuation loss.

Cut-off of revenue recognition

Description

Refer to Note 4(25) and Note 6(17) of the parent company only financial statements for accounting policies on revenue recognition and the detail of revenue information.

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

Other matter - Reference to the audits of other independent auditors

We did not audit the financial statements of certain investments accounted for under equity method. The financial statements of these investments accounted for under equity method were audited by other auditors whose reports thereon have been furnished to us and our opinion ex-

pressed herein, insofar as it relates to the amounts included in the financial statements is based solely on the reports of other auditors. The amount of investments accounted for using the equity method on the audit reports of the other independent accountants are NT30,148 thousand and NT27,337 thousand, constituting 1% and 1% of the total assets as of December 31, 2019 and 2018, respectively, and its share of the loss amounting to NT2,811 thousand and NT(39,424) thousand, constituting 1.53% and (11.40%) of the total comprehensive income for the years then ended, respectively.

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

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

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

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

Independent Accountant's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

parent company only financial statements.

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

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

only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion .

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
March 24, 2020

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

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 324,483	6	\$ 621,590	12
1110	Financial assets at fair value through profit or loss - current	6(2)	120,353	2	278,730	5
1136	Financial assets at amortized cost - current	6(3)	77,885	2	177,328	3
1150	Notes receivable, net	6(4)	31,568	1	503	-
1170	Accounts receivable, net	6(4)	2,069,179	39	1,417,626	27
1200	Other receivables		2,500	-	2,566	-
1210	Other receivables - related parties	7	3,132	-	1,218	-
130X	Inventories, net	6(5)	709,817	14	957,096	18
1410	Prepayments		15,897	-	18,802	1
1470	Other current assets	8	8,128	-	5,717	-
11XX	Current Assets		3,362,942	64	3,481,176	66
Non-current assets						
1535	Financial assets at amortized cost - non-current	6(3) and 8	13,365	-	8,345	-
1550	Investments accounted for using equity method	6(6)	1,214,431	23	1,270,202	24
1600	Property, plant and equipment, net	6(7) and 8	399,051	8	412,781	8
1755	Right-of-use assets	6(8)	214,660	4	-	-
1780	Intangible assets, net		13,664	-	48,567	1
1840	Deferred income tax assets	6(23)	73,933	1	66,056	1
1900	Other non-current assets	8	2,672	-	3,939	-
15XX	Non-current assets		1,931,776	36	1,809,890	34
1XXX	Total assets		\$ 5,294,718	100	\$ 5,291,066	100

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term loans	6(9)	\$ 918,987	17	\$ 585,121	11
2130	Contract liabilities-current	6(17)	107,874	2	45,666	1
2170	Accounts payable	6(10)	843,930	16	1,338,983	25
2180	Accounts payable - related parties	7	51,201	1	-	-
2200	Other payables		206,534	4	272,514	5
2230	Current income tax liabilities	6(23)	21,565	1	21,838	1
2250	Provisions for liabilities - current		111,156	2	150,132	3
2280	Lease liabilities-current		4,774	-	-	-
2300	Other current liabilities	6 (11)	11,774	-	13,933	-
21XX	Current Liabilities		<u>2,277,795</u>	<u>43</u>	<u>2,428,187</u>	<u>46</u>
Non-current liabilities						
2527	Contract liabilities-non-current	6(17)	-	-	5,422	-
2540	long-term loans	6(11)	371,330	7	379,403	7
2570	Deferred income tax liabilities	6(23)	-	-	6,338	-
2580	Lease liabilities-non-current		211,428	4	-	-
2600	Other non-current liabilities		47,512	1	54,090	1
25XX	Non-current liabilities		<u>630,270</u>	<u>12</u>	<u>445,253</u>	<u>8</u>
2XXX	Total Liabilities		<u>2,908,065</u>	<u>55</u>	<u>2,873,440</u>	<u>54</u>
Equity						
Share capital		6(13)				
3110	Share capital - common stock		1,651,361	31	1,651,361	31
Capital surplus		6(14)				
3200	Capital surplus		199,091	4	199,091	3
Retained earnings		6(15)				
3310	Legal reserve		123,722	2	86,712	2
3320	Special reserve		132,987	3	132,987	3
3350	Unappropriated retained earnings		375,897	7	379,946	7
Other equity interest		6(16)				
3400	Other equity interest		(96,405)	(2)	(32,471)	-
3XXX	Total equity		<u>2,386,653</u>	<u>45</u>	<u>2,417,626</u>	<u>46</u>
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	Total liabilities and equity		<u>\$ 5,294,718</u>	<u>100</u>	<u>\$ 5,291,066</u>	<u>100</u>

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

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)	\$ 3,335,058	100	\$ 3,827,468	100
5000 Operating costs	6(5)	(2,474,657)	(74)	(2,910,329)	(76)
5900 Operating margin		860,401	26	917,139	24
5910 Unrealized profit from sales		(66)	-	(80)	-
5920 Realized profit from sales		80	-	178	-
5950 Net operating margin		860,415	26	917,237	24
Operating expenses	6(21)(22)				
6100 Selling expenses		(128,169)	(4)	(113,859)	(3)
6200 General and administrative expenses		(197,869)	(6)	(253,845)	(7)
6300 Research and development expenses		(231,872)	(7)	(232,343)	(6)
6450 Impairment (loss) gain		(76,343)	(2)	23,043	1
6000 Total operating expenses		(634,253)	(19)	(577,004)	(15)
6900 Operating profit		226,162	7	340,233	9
Non-operating income and expenses					
7010 Other income	6(18)	37,947	1	57,122	1
7020 Other gains and losses	6(19)	(15,784)	-	28,225	1
7050 Finance costs	6(20)	(30,548)	(1)	(17,995)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	66,833	2	5,968	-
7000 Total non-operating income and expenses		58,448	2	73,320	2
7900 Profit before tax		284,610	9	413,553	11
7950 Income tax expense	6(23)	(35,452)	(1)	(43,448)	(1)
8200 Profit for the year		\$ 249,158	8	\$ 370,105	10
Other comprehensive income for the year					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit obligation		(\$ 1,520)	-	(\$ 3,131)	-
8316 Unrealized loss on investments in equity instruments at fair value through other comprehensive income		(38,688)	(1)	7,374	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	10,168	-	(9,313)	-
8310 Components that will not be reclassified subsequently to profit or loss:		(30,040)	(1)	(5,070)	-
Components of other comprehensive income that may be reclassified subsequently to profit or loss					
8361 Cumulative translation differences of foreign operations		(35,414)	(1)	(19,099)	(1)
8360 Components of other comprehensive income that may be reclassified subsequently to profit or loss		(35,414)	(1)	(19,099)	(1)
8300 Other comprehensive income (loss) for the year		(\$ 65,454)	(2)	(\$ 24,169)	(1)
8500 Total comprehensive income for the year		\$ 183,704	6	\$ 345,936	9
Basic earnings per share	6(24)				
9750 Basic earnings per share		\$ 1.51		\$ 2.24	
Diluted earnings per share	6(24)				
9850 Diluted earnings per share		\$ 1.49		\$ 2.20	

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

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other equity		Unrealized gain or loss on availa- ble-for- sale financial as- sets	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative trans- lation differences of foreign opera- tions	Unrealized gain(loss) on financial assets at fair value through other comprehensive income		
<u>For the year ended December 31, 2018</u>										
Balance at January 1, 2018		\$ 1,651,361	\$ 186,765	\$ 66,921	\$ 178,169	\$ 197,905	(\$ 45,187)	\$ -	(\$ 17,892)	\$ 2,218,042
Effects of retrospective application		-	-	-	-	5,032	-	19,364	17,892	42,288
Balance at January 1, 2018 after adjustments		1,651,361	186,765	66,921	178,169	202,937	(45,187)	19,364	-	2,260,330
Profit for the year		-	-	-	-	370,105	-	-	-	370,105
Other comprehensive income for the year	6(16)	-	-	-	-	(3,131)	(19,099)	(1,939)	-	(24,169)
Total comprehensive income for the year		-	-	-	-	366,974	(19,099)	(1,939)	-	345,936
Distribution of 2017 earnings:										
Legal reserve		-	-	19,791	-	(19,791)	-	-	-	-
Special reserve		-	-	-	(45,182)	45,182	-	-	-	-
Cash dividends		-	-	-	-	(200,966)	-	-	-	(200,966)
Effect of changes in the net equity of subsidiary accounted for under equity method	6(14)	-	12,326	-	-	-	-	-	-	12,326
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	(14,390)	-	14,390	-	-
Balance at December 31, 2018		\$ 1,651,361	\$ 199,091	\$ 86,712	\$ 132,987	\$ 379,946	(\$ 64,286)	\$ 31,815	\$ -	\$ 2,417,626
<u>For the year ended December 31, 2019</u>										
Balance at January 1, 2019		\$ 1,651,361	\$ 199,091	\$ 86,712	\$ 132,987	\$ 379,946	(\$ 64,286)	\$ 31,815	\$ -	\$ 2,417,626
Profit for the year		-	-	-	-	249,158	-	-	-	249,158
Other comprehensive income for the year	6(16)	-	-	-	-	(1,520)	(35,414)	(28,520)	-	(65,454)
Total comprehensive income for the year		-	-	-	-	247,638	(35,414)	(28,520)	-	183,704
Distribution of 2018 earnings:										
Legal reserve		-	-	37,010	-	(37,010)	-	-	-	-
Cash dividends		-	-	-	-	(214,677)	-	-	-	(214,677)
Balance at December 31, 2019		\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 375,897	(\$ 99,700)	\$ 3,295	\$ -	\$ 2,386,653

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

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the year		\$ 284,610	\$ 413,553
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(21)	22,903	16,400
Amortization	6(21)	35,495	39,667
Net gain on financial assets or liabilities at fair value through profit or loss		(1,207)	(2,276)
Gain on disposal of financial assets at fair value through profit or loss		20	-
Expected credit loss (gain)	12(2)	76,343	(23,043)
Interest expense	6(20)	30,548	17,995
Interest income	6(18)	(1,966)	(2,937)
Share of profits of associates and joint ventures accounted for using equity method		(66,833)	(5,968)
Property, plant and equipment transferred to expenses		-	1,648
Impairment loss from non – financial assets		965	
Unrealized profits from sales		66	80
Realized profits from sales		(80)	(178)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		159,563	(243,778)
Notes receivable		(31,065)	1,814
Accounts receivable		(727,896)	(168,504)
Other receivables		(372)	1,273
Other receivables - related parties		(1,915)	-
Inventories		247,279	327,760
Prepayments		2,905	(4,178)
Other current assets		(2,410)	1,305
Net changes in liabilities relating to operating activities			
Contract liabilities		56,786	(93,425)
Accounts payable		(495,053)	(88,434)
Accounts payable - related parties		51,201	(4,417)
Other payables		(59,884)	41,615
Provisions for liabilities		(38,976)	4,641
Unearned receipts		(1,552)	(752)
Other current liabilities		(46)	375
Accrued pension liabilities		(8,096)	(5,559)
Cash generated from operations		(468,667)	224,677
Income tax paid		(39,773)	(80,680)
Interest received		2,405	2,458
Interest paid		(31,022)	(16,162)
Net cash provided by operating activities		(537,057)	130,293

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		\$ 94,423	(\$ 27,608)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	13,955
Acquisition of investments accounted for using equity method		-	(30,900)
Proceeds from decrease capital of investments accounted for using equity method		-	89,790
Acquisition of property, plant and equipment	6(27)	(3,591)	(10,768)
Acquisition of intangible assets		(1,873)	(1,498)
Refundable deposits refunded (paid)		302	(557)
Dividends received from investments accounted for using equity method		48,515	48,515
Net cash provided by (used in) investing activities		<u>137,776</u>	<u>80,929</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(28)	1,864,072	1,306,798
Repayment of short-term loans	6(28)	(1,530,206)	(1,276,407)
Increase in long-term loans	6(28)	350,000	350,000
Repayment of long-term loans	6(28)	(358,634)	(242,869)
Guarantee deposits received		-	(1,668)
Payment of cash dividends		(214,677)	(200,966)
Repayment of the principal portion of lease liabilities	6(28)	(8,381)	-
Net cash provided by (used in) financing activities		<u>102,174</u>	<u>(65,112)</u>
Net increase in cash and cash equivalents		(297,107)	146,110
Cash and cash equivalents at beginning of year	6(1)	<u>621,590</u>	<u>475,480</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 324,483</u>	<u>\$ 621,590</u>

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

Attachment 2 :

- Independent Auditors' Report and Consolidated Financial Statements

To Gallant Precision Machining Co., Ltd.

REPORT OF INDEPENDENT ACCOUNTANTS

Opinion

We have audited the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of the other independent accountants, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and 「Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020」 and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”) for the year ended December 31, 2019. Our responsibilities under those standards are further described in the section of Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements of our report. We

are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audits report of the other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Evaluation of inventories

Description

Gallant Precision Machining Co., Ltd. and its subsidiaries are primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(12) of the consolidated financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the consolidated financial statements. The inventories and allowance for inventory valuation loss amounting to NT1,086,503 thousand and NT148,268 thousand as of December 31, 2019 are disclosed in Note 6(6) of the consolidated financial statements.

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

Cut-off of revenue recognition

Description

Refer to Note 4(28) and Note 6(19) of the consolidated financial statements for accounting policies on revenue recognition and the detail of revenue information.

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

How our audit addressed the matter

Our audit procedures performed included the following:

5. Assessed the appropriateness of the policy of sales revenue recognition.
6. Assessed and tested the design and operating effectiveness of the key controls over sales revenue recognition.
7. Sampled and tested the sales transactions included check customer purchase orders, evidence of customer's confirmation for acceptance, verified whether had met criteria of the

contract and considered the reliability of collection for the timing of revenue recognition.

8. Performed cut-off test on sales transactions for a specific time prior to and after the balance sheet date.

Other matter - Reference to the audits of other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the audit reports of the other independent accountants. The balance of investment accounted for under equity method was NT\$63,780 thousand and NT\$27,337 thousand, constituting 1% and 0.42% of consolidated total assets as of December 31, 2019 and 2018, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method was NT(\$9,070) thousand and NT(\$39,424) thousand, constituting (4.05%) and (10.43%) of consolidated total comprehensive income for the years ended December 31, 2019 and 2018, respectively.

Other matter - Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Gallant Precision Machining Co., Ltd. as of and for the years ended December 31, 2019 and 2018.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to go-

ing concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Independent Accountant's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
March 24, 2020

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

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

			December 31, 2019		December 31, 2018	
Assets		Notes	AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 929,712	14	\$ 1,293,799	20
1110	Financial assets at fair value through profit or loss - current	6(2)	120,353	2	278,730	4
1136	Financial assets at amortized cost - current	6(4) and 8	826,942	13	860,861	13
1150	Notes receivable, net	6(5)	48,652	1	44,893	1
1170	Accounts receivable, net	6(5)	2,338,746	36	1,787,401	27
1200	Other receivables		11,446	-	15,499	-
1210	Other receivables to related parties	7	40,179	1	-	-
130X	Inventories, net	6(6)	938,235	14	1,222,843	19
1410	Prepayments		38,745	1	39,883	1
1470	Other current assets		11,577	-	12,123	-
11XX	Current Assets		5,304,587	82	5,556,032	85
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non - current	6(3)	103,462	2	125,024	2
1535	Financial assets at amortized cost - non-current	6(4) and 8	22,227	-	26,605	-
1550	Investments accounted for using equity method	6(7)	63,780	1	27,337	1
1600	Property, plant and equipment, net	6(8) and 8	588,628	9	622,497	10
1755	Right-of-use assets	6(9)	244,535	4	-	-
1780	Intangible assets, net		25,692	-	65,961	1
1840	Deferred income tax assets	6(25)	95,031	2	90,642	1
1900	Other non-current assets		5,918	-	7,098	-
15XX	Non-current assets		1,149,273	18	965,164	15
1XXX	Total assets		\$ 6,453,860	100	\$ 6,521,196	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term loans	6(10)	\$ 1,118,987	17	\$ 735,121	11
2130	Contract liabilities-current	6(19)	144,695	2	59,219	1
2170	Accounts payable	6(11)	968,510	15	1,562,542	24
2180	Accounts payable - related parties	7	27,550	1	8,643	-
2200	Other payables	6(12)	321,108	5	394,664	6
2230	Current income tax liabilities	6(25)	38,597	1	38,514	-
2250	Provisions for liabilities-current		143,885	2	187,448	3
2280	Lease liabilities-current		16,864	-	-	-
2300	Other current liabilities	6(13)	27,699	-	41,376	1
21XX	Current Liabilities		<u>2,807,895</u>	<u>43</u>	<u>3,027,527</u>	<u>46</u>
	Non-current liabilities					
2527	Contract liabilities-non-current	6(19)	-	-	9,702	-
2540	Long-term loans	6(13)	453,472	7	473,439	8
2570	Deferred income tax liabilities	6(25)	69,632	1	69,516	1
2580	Lease liabilities-non-current		229,617	4	-	-
2600	Other non-current liabilities		72,808	1	80,481	1
25XX	Non-current liabilities		<u>825,529</u>	<u>13</u>	<u>633,138</u>	<u>10</u>
2XXX	Total Liabilities		<u>3,633,424</u>	<u>56</u>	<u>3,660,665</u>	<u>56</u>
	Equity attributable to owners of parent company					
	Share capital	6(15)				
3110	Share capital-common stock		1,651,361	26	1,651,361	25
	Capital surplus	6(16)				
3200	Capital surplus		199,091	3	199,091	3
	Retained earnings	6(17)				
3310	Legal reserve		123,722	2	86,712	1
3320	Special reserve		132,987	2	132,987	2
3350	Unappropriated retained earnings		375,897	6	379,946	6
	Other equity interest	6(18)				
3400	Other equity interest		(96,405)	(2)	(32,471)	-
31XX	Equity attributable to owners of the parent company		<u>2,386,653</u>	<u>37</u>	<u>2,417,626</u>	<u>37</u>
36XX	Non-controlling interest		<u>433,783</u>	<u>7</u>	<u>442,905</u>	<u>7</u>
3XXX	Total equity		<u>2,820,436</u>	<u>44</u>	<u>2,860,531</u>	<u>44</u>
	Contingent liabilities and unrecognised contract commitments					
3X2X	Total liabilities and equity		<u>\$ 6,453,860</u>	<u>100</u>	<u>\$ 6,521,196</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)

		Years ended December 31			
		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19) and 7	\$ 4,236,015	100	\$ 4,873,153	100
5000 Operating costs	6(6)(23)(24)	(3,005,394)	(71)	(3,586,821)	(74)
5900 Net operating margin		<u>1,230,621</u>	<u>29</u>	<u>1,286,332</u>	<u>26</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		(183,134)	(4)	(186,408)	(3)
6200 General and administrative expenses		(309,116)	(7)	(382,662)	(8)
6300 Research and development expenses		(307,787)	(7)	(337,534)	(7)
6450 Impairment loss (gain)		(71,458)	(2)	53,499	1
6000 Total operating expenses		<u>(871,495)</u>	<u>(20)</u>	<u>(853,105)</u>	<u>(17)</u>
6900 Operating profit		<u>359,126</u>	<u>9</u>	<u>433,227</u>	<u>9</u>
Non-operating income and expenses					
7010 Other income	6(20)	59,998	1	81,097	2
7020 Other gains and losses	6(21)	(13,600)	-	40,033	1
7050 Finance costs	6(22)	(36,205)	(1)	(22,860)	(1)
7060 Share of profit of associates and joint ventures accounted for under equity method		(9,070)	-	(39,424)	(1)
7000 Total non-operating income and expenses		<u>1,123</u>	<u>-</u>	<u>58,846</u>	<u>1</u>
7900 Profit before tax		<u>360,249</u>	<u>9</u>	<u>492,073</u>	<u>10</u>
7950 Income tax expense	6(25)	(70,343)	(2)	(85,806)	(2)
8200 Profit for the year		<u>\$ 289,906</u>	<u>7</u>	<u>\$ 406,267</u>	<u>8</u>
Other comprehensive income for the year					
Items that will not be reclassified subsequently to profit or loss:					
8311 Loss on remeasurements of defined benefit plan		(\$ 1,520)	-	(\$ 3,131)	-
8316 Unrealized gain on investments in equity instruments at fair value through other comprehensive income	6(18)	(21,562)	(1)	9,976	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	<u>4,277</u>	<u>-</u>	<u>(11,541)</u>	<u>-</u>
8310 Items that will not be reclassified subsequently to profit or loss:		<u>(18,805)</u>	<u>(1)</u>	<u>(4,696)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:					
8361 Cumulative translation differences of foreign operations	6(18)	(47,316)	(1)	(23,698)	-
8360 Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>(47,316)</u>	<u>(1)</u>	<u>(23,698)</u>	<u>-</u>
8300 Other comprehensive (loss) income for the year		<u>(\$ 66,121)</u>	<u>(2)</u>	<u>(\$ 28,394)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 223,785</u>	<u>5</u>	<u>\$ 377,873</u>	<u>8</u>
Profit attributable to:					
8610 Equity holders of the parent company		\$ 249,158	6	\$ 370,105	7
8620 Non-controlling interest		<u>40,748</u>	<u>1</u>	<u>36,162</u>	<u>1</u>
Profit for the year		<u>\$ 289,906</u>	<u>7</u>	<u>\$ 406,267</u>	<u>8</u>
Total comprehensive income attributable to:					
8710 Equity holders of the parent company		\$ 183,704	4	\$ 345,936	7
8720 Non-controlling interest		<u>40,081</u>	<u>1</u>	<u>31,937</u>	<u>1</u>
Total comprehensive income for the year		<u>\$ 223,785</u>	<u>5</u>	<u>\$ 377,873</u>	<u>8</u>
Basic earnings per share	6(26)				
9750 Profit for the year		<u>\$ 1.51</u>		<u>\$ 2.24</u>	
Diluted earnings per share	6(26)				
9850 Profit for the year		<u>\$ 1.49</u>		<u>\$ 2.20</u>	

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent								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	Other Equity Interest Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets			
For the year ended December 31, 2018												
Balance at January 1, 2018		\$ 1,651,361	\$ 186,765	\$ 66,921	\$ 178,169	\$ 197,905	(\$ 45,187)	\$ -	(\$ 17,892)	\$ 2,218,042	\$ 322,665	\$ 2,540,707
Effects of retrospective application	6(18)	-	-	-	-	5,032	-	19,364	17,892	42,288	7,388	49,676
Balance at January 1, 2018 after adjustments		1,651,361	186,765	66,921	178,169	202,937	(45,187)	19,364	-	2,260,330	330,053	2,590,383
Profit for the year		-	-	-	-	370,105	-	-	-	370,105	36,162	406,267
Other comprehensive income for the year	6(18)	-	-	-	-	(3,131)	(19,099)	(1,939)	-	(24,169)	(4,225)	(28,394)
Total comprehensive income for the year		-	-	-	-	366,974	(19,099)	(1,939)	-	345,936	31,937	377,873
Distribution of 2017 earnings:												
Legal reserve		-	-	19,791	-	(19,791)	-	-	-	-	-	-
Special reserve		-	-	-	(45,182)	45,182	-	-	-	-	-	-
Cash dividends		-	-	-	-	(200,966)	-	-	-	(200,966)	-	(200,966)
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	(14,390)	-	14,390	-	-	-	-
Recognition of changes in equities of subsidiaries	6(27)	-	12,326	-	-	-	-	-	-	12,326	-	12,326
Cash dividends paid from subsidiaries		-	-	-	-	-	-	-	-	-	(28,637)	(28,637)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	109,552	109,552
Balance at December 31, 2018		<u>\$ 1,651,361</u>	<u>\$ 199,091</u>	<u>\$ 86,712</u>	<u>\$ 132,987</u>	<u>\$ 379,946</u>	<u>(\$ 64,286)</u>	<u>\$ 31,815</u>	<u>\$ -</u>	<u>\$ 2,417,626</u>	<u>\$ 442,905</u>	<u>\$ 2,860,531</u>
For the year ended December 31, 2019												
Balance at January 1, 2019		\$ 1,651,361	\$ 199,091	\$ 86,712	\$ 132,987	\$ 379,946	(\$ 64,286)	\$ 31,815	\$ -	\$ 2,417,626	\$ 442,905	\$ 2,860,531
Profit for the year		-	-	-	-	249,158	-	-	-	249,158	40,748	289,906
Other comprehensive income for the year	6(18)	-	-	-	-	(1,520)	(35,414)	(28,520)	-	(65,454)	(667)	(66,121)
Total comprehensive income for the year		-	-	-	-	247,638	(35,414)	(28,520)	-	183,704	40,081	223,785
Distribution of 2018 earnings:												
Legal reserve		-	-	37,010	-	(37,010)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(214,677)	-	-	-	(214,677)	-	(214,677)
Recognition of changes in equities of subsidiaries	6(27)	-	-	-	-	-	-	-	-	-	(12,889)	(12,889)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	(36,314)	(36,314)
Balance at December 31, 2019		<u>\$ 1,651,361</u>	<u>\$ 199,091</u>	<u>\$ 123,722</u>	<u>\$ 132,987</u>	<u>\$ 375,897</u>	<u>(\$ 99,700)</u>	<u>\$ 3,295</u>	<u>\$ -</u>	<u>\$ 2,386,653</u>	<u>\$ 433,783</u>	<u>\$ 2,820,436</u>

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		\$ 360,249	\$ 492,073
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8) 6(9) (23)	47,776	31,508
Amortization	6(23)	38,062	41,792
Expected credit loss (gain)		71,458	(53,499)
Gain on financial assets or liabilities at fair value through profit or loss, net	6(21)	(1,207)	(2,307)
Interest expense	6(22)	36,205	22,860
Interest income	6(20)	(21,398)	(16,738)
Dividend income	6(20)	(2,889)	(1,868)
Share of profit of associates and joint ventures accounted for using equity method		9,070	39,424
Property, plant and equipment transferred to expenses		-	1,648
(Gain)/loss on disposal of property, plant and equipment, net	6(21)	30	85
Gain on disposal of investments accounted for using equity method	6(21)	(3,012)	-
Gain on lease modification		(6)	-
Impairment loss from non – financial assets		965	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		159,563	(243,747)
Notes receivable		(4,357)	(7,644)
Accounts receivable		(626,326)	(189,889)
Other receivables		9,359	(3,359)
Other receivables - related parties		(40,186)	-
Inventories		280,668	285,898
Prepayments		(4,591)	14,804
Other current assets		421	1,349
Other non-current assets		78	(221)
Net changes in liabilities relating to operating activities			
Contract liabilities		75,951	(81,219)
Accounts payable		(591,294)	(69,561)
Accounts payable - related parties		20,594	4,485
Other payables		(59,447)	57,400
Provisions for liabilities		(43,308)	71
Unearned receipts		(1,559)	(2,276)
Other current liabilities		1,891	1,112
Accrued pension liabilities		(8,118)	(5,573)
Cash generated from operations		(295,358)	316,608
Interest received		15,730	12,745
Dividends received		2,592	1,870
Interest paid		(36,680)	(21,039)
Income tax paid		(69,039)	(104,392)
Net cash provided by operating activities		(382,755)	205,792

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortized cost		\$ 12,189	\$ 126,420
Acquisition (proceeds from disposal) of financial assets at amortized cost		-	(30,608)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	13,955
Acquisition of investments accounted for using equity method		(29,540)	-
Acquisition of property, plant and equipment	6(29)	(12,050)	(37,024)
Proceeds from disposal of property, plant and equipment		586	2,729
Acquisition of intangible assets		(2,912)	(9,540)
Refundable deposits paid (refunded)		57	(932)
Net decrease in cash due to changes in consolidated entities		(3,860)	-
Net cash provided by (used in) investing activities		(35,530)	65,000
<u>CASH FLOWS FROM FINANCING ACTIVITY</u>			
Proceeds from short-term loan	6(30)	2,749,072	1,582,891
Repayment of short-term loan	6(30)	(2,365,206)	(1,582,500)
Proceeds from long-term loan	6(30)	350,000	350,000
Repayment of long-term loan	6(30)	(383,861)	(282,607)
Guarantee deposits refunded	6(30)	(99)	(1,668)
Repayment of the principal portion of lease liabilities	6(30)	(23,869)	-
Cash dividends paid		(250,991)	(229,603)
Decrease in non-controlling interests		-	109,552
Net cash provided by (used in) financing activities		75,046	(53,935)
Effect of fluctuations in exchange rate		(20,848)	5,143
Net increase (decrease) in cash and cash equivalents		(364,087)	222,000
Cash and cash equivalents at beginning of year	6(1)	1,293,799	1,071,799
Cash and cash equivalents at end of year	6(1)	\$ 929,712	\$ 1,293,799

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

Attachment 3 :

Gallant Precision Machining Co., Ltd Comparison Table for the "Articles of Incorporation" Before and After Revision

Article	After the Version	Before the Version
Article 17	<p>The Company has seven to nine directors who shall be appointed in the shareholders' meeting in accordance with the provisions of the Company Law.</p> <p><u>Gallant Precision Machining adopts the candidate nomination system for the election of directors. The board of directors and shareholders may, in accordance with the provisions of Company Act and relevant laws and regulations, propose a list of candidates</u></p>	<p>The Company has seven to nine directors who shall be appointed in the shareholders' meeting in accordance with the provisions of the Company Law.</p>
Article 30-2	(Deleted to this Article)	<p>(The Board of Directors shall distribute all or part of the dividends, bonuses , legal reserve and capital reserve in cash after a resolution by a majority in a meeting attended by two-thirds of the Directors. Such resolution shall be submitted to the shareholders' meeting. It does not apply to the rule of Shareholders' Meeting resolution in the Articles of Incorporation.</p>
Article 34	<p>The Articles of Association were established on December 1, 1978.</p> <p>The 1st amendment was made on November 22, 1982.</p> <p>The 2nd amendment was made on October 16, 1984.</p> <p>The 3rd amendment was made on August 8, 1985.</p> <p>The 4th amendment was made on April 25, 1986.</p> <p>The 5th amendment was made on October 17, 1986.</p> <p>The 6th amendment was made on July 8, 1988.</p> <p>The 7th amendment was made on October 5, 1989.</p> <p>The 8th amendment was made on February 10, 1990.</p> <p>The 9th amendment n was made on July 20, 1990.</p> <p>The 10th amendment was made on June 30, 1991.</p> <p>The 11th amendment was made on October 20, 1991.</p> <p>The 12th amendment was made on June 21, 1992.</p>	<p>The Articles of Association were established on December 1, 1978.</p> <p>The 1st amendment was made on November 22, 1982.</p> <p>The 2nd amendment was made on October 16, 1984.</p> <p>The 3rd amendment was made on August 8, 1985.</p> <p>The 4th amendment was made on April 25, 1986.</p> <p>The 5th amendment was made on October 17, 1986.</p> <p>The 6th amendment was made on July 8, 1988.</p> <p>The 7th amendment was made on October 5, 1989.</p> <p>The 8th amendment was made on February 10, 1990.</p> <p>The 9th amendment n was made on July 20, 1990.</p> <p>The 10th amendment was made on June 30, 1991.</p> <p>The 11th amendment was made on October 20, 1991.</p> <p>The 12th amendment was made on June 21, 1992.</p>

<p>The 13th amendment was made on February 14, 1993.</p> <p>The 14th amendment was made on June 18, 1994.</p> <p>The 15th amendment was made on April 29, 1995.</p> <p>The 16th amendment was made on June 15, 1996.</p> <p>The 17th amendment was made on May 23, 1998.</p> <p>The 18th amendment was made on June 16, 1999.</p> <p>The 19th amendment was made on May 10, 2000.</p> <p>The 20th amendment was made on April 19, 2001.</p> <p>The 21st amendment was made on April 19, 2001.</p> <p>The 22nd amendment was made on May 14, 2002.</p> <p>The 23rd amendment was made on May 22, 2006.</p> <p>The 24th amendment was made on May 22, 2006.</p> <p>The 25th amendment was made on December 14, 2006.</p> <p>The 26th amendment was made on June 13, 2007.</p> <p>The 27th amendment was made on June 16, 2009.</p> <p>The 28th amendment was made on June 14, 2010.</p> <p>The 29th amendment was made on June 22, 2011.</p> <p>The 30th amendment was made on June 21, 2012.</p> <p>The 31st amendment was made on June 20, 2014.</p> <p>The 32nd amendment was made on June 17, 2015.</p> <p>The 33rd amendment was made on June 27, 2016.</p> <p>The 34rd amendment was made on June 16 2017.</p> <p>The 35rd amendment was made on June 25, 2019.</p> <p>The 36rd amendment was made on June 17, 2020.</p>	<p>The 13th amendment was made on February 14, 1993.</p> <p>The 14th amendment was made on June 18, 1994.</p> <p>The 15th amendment was made on April 29, 1995.</p> <p>The 16th amendment was made on June 15, 1996.</p> <p>The 17th amendment was made on May 23, 1998.</p> <p>The 18th amendment was made on June 16, 1999.</p> <p>The 19th amendment was made on May 10, 2000.</p> <p>The 20th amendment was made on April 19, 2001.</p> <p>The 21st amendment was made on April 19, 2001.</p> <p>The 22nd amendment was made on May 14, 2002.</p> <p>The 23rd amendment was made on May 22, 2006.</p> <p>The 24th amendment was made on May 22, 2006.</p> <p>The 25th amendment was made on December 14, 2006.</p> <p>The 26th amendment was made on June 13, 2007.</p> <p>The 27th amendment was made on June 16, 2009.</p> <p>The 28th amendment was made on June 14, 2010.</p> <p>The 29th amendment was made on June 22, 2011.</p> <p>The 30th amendment was made on June 21, 2012.</p> <p>The 31st amendment was made on June 20, 2014.</p> <p>The 32nd amendment was made on June 17, 2015.</p> <p>The 33rd amendment was made on June 27, 2016.</p> <p>The 34rd amendment was made on June 16 2017.</p> <p>The 35rd amendment was made on June 25, 2019.</p>
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Attachment 4 :

Gallant Precision Machining Co., Ltd Regulations of first buyback share transfer to employee in 2020

Article 1

In order to stimulate and enhance the loyalty of our employees, we have formulated the measures for the purchase and transfer of shares of employees in accordance with article 28-2, paragraph 1, paragraph 1 of Securities and Exchange Act and “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies” issued by Financial Supervisory Commission. Except in accordance with the relevant laws and regulations, the repurchase and transfer of shares by the company to its employees shall be subject to the provisions of these regulations.

(Type of shares to be transferred, a description of the rights attaching thereto, and any restrictions on such rights)

Article 2

The shares transferred to the employee are common shares, and their rights and obligations are the same as those of other common shares outstanding, except as otherwise provided by relevant laws and regulations.

(Transfer period)

Article 3

The shares repurchased this time may be transferred to employees in one or several times within three years from the date of repurchase of shares in accordance with the regulations.

(Eligibility requirements for transferees)

Article 4

All the full-time employees of the company and its subsidiaries who are employed on the base date of the subscription (the “subsidiary” refers to subsidiaries at home and abroad who directly or indirectly hold more than 50% of the voting shares of the same invested company) can enjoy the subscription qualification according to the number of subscription shares set in Article 5 of the regulation. If the assignee resigns between the employee's subscription base date and the subscription payment deadline, he/she will be disqualified from the subscription and the chairperson will negotiate with other employees to subscribe.

(Procedures for transfer of shares)

Article 5

The number of shares may be subscribed by the employee, and the chairperson may be authorized to specify the number of shares to be subscribed by the employee, taking into account such criteria as the employee's grade, length of service and special contribution to the company.

(Procedures for transfer of shares)

Article 6

Procedures for the transfer of the repurchased shares to the employee:

1. In accordance with the resolution of the board of directors, we announce, declare and buy back the company's shares within the execution period.
2. The board of directors shall, in accordance with these regulations, determine and publish the operation items such as the base date of share subscription, the standard for the number of shares to be subscribed, the period of subscription and payment, the content of rights and restrictions.
3. Count the number of shares actually subscribed for payment, and register the transfer of shares.

(Agreed transfer price per share)

Article 7

The transfer price of the repurchased shares to the employee shall be the average price of the actual purchased shares (calculated up to NT\$ cents and rounded). However, before the transfer, if the company's issued common shares increase or decrease, it may be adjusted according to the increase or decrease ratio of issued shares. Alternatively, in accordance with the company's articles of association, the transfer to employees at an average price lower than the actual purchase shall be approved by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares. It shall be listed in the reasons for the convening of the shareholders' meeting to explain the matters stipulated in Article 10, paragraph 1, of "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" before it is handled.

Article 7-1

Transfer price adjustment formula: $\text{Adjusted transfer price} = \text{average price of actual shares repurchased} \times \frac{\text{total number of common shares issued when the shares were declared for repurchase}}{\text{total number of common shares issued before the transfer of shares bought back to employees (rights and obligations subsequent to execution of the transfer)}}$

(Rights and obligations subsequent to execution of the transfer)

Article 8

After the share repurchase is transferred to the employees and the transfer registration is completed, the rights and obligations are the same as the original shares unless otherwise specified.

(Others)

Article 9

Other rights and obligations related to the company and its employees: the chairperson is authorized to check and handle the implementation details of the repurchase of the company's shares.

Article 10

The company shall transfer all the shares within three years from the date of the repurchase. The portion not transferred within the time limit shall be deemed as the company's unissued shares and shall be registered to eliminate share changing in accordance with the law.

Article 11

These regulations shall take effect after being approved by the board of directors, and may be reported to the board of directors for revision.

Article 12

The formulation and amendment of these regulations shall be reported to the shareholders' meeting.

Article 13

These regulations were established on March 24, 2020.

Attachment 5 :

**Gallant Precision Machining Co., Ltd.
List of Independent Director Nominees**

Independent Director Candidate	Education & Experience	Current Positions	Shareholding
TUNG, CHIA-CHING	<ul style="list-style-type: none"> ● Bachelor of Chemistry, NCHU ● General Manager of Business Office of Hongsheng Technology Co., Ltd. ● President of Taiwan Printed Circuit Association ● Executive Vice President of Compeq Manufacturing Co., Ltd. ● Consultant of Taiwan Printed Circuit Association Supervisor of Gaolu Technology Co., Ltd.	Independent Director of Daxin Materials Corp.	0
CHEN, YI-MEI	<ul style="list-style-type: none"> ● Fellow of the Business School of University of Oregon ● Master of Computer Science, University of Oregon ● President of American Guifen International Enterprise Co., Ltd. ● President of Texas Win Win Credit Brokerage Company and Xun An Credit Audit Document Review Company ● Chief Executive Officer, Credit Union, Austin, Texas, Wells Fargo ● Distinguished Research Fellow of ITRI Lecturer of NTHU	Independent Director of TALANG Technology	0
LO, WEI	PhD in Management Science, NCTU	<ul style="list-style-type: none"> ● Director of Zyxel Communications Corp./ Senior Deputy General Manager-Representative of Unizyx ● Senior Deputy General Manager of MitraStar Technology Corp. ● Vice Deputy General Manager of Zyxel I letisim Teknolojileri 	0

		<p>A.S. - Representative of Zyxel Communications Corp.</p> <ul style="list-style-type: none"> ● Director of Heguan Investment-Representative of Zyxel Communications Corp. ● Supervisor of Zytpe-Representative of Zyxel Communications Corp. ● Supervisor of Ardomus Networks Corporation-Representative of Zyxel Communications Corp ● General Manager of Black Cat Incorporation--Representative of Unizyx ● Legal representative of Shanghai Monetics Telecommunications Corporation- Representative of MitraStar Technology Corp. ● Supervisor of Wuxi Yanqin - Representative of MitraStar Technology Corp. ● Legal representative of Wuxi MitraStar Technology Corp.- Representative of Bluebell ● Supervisor of Beijing Huaqin Tiandi Technology Co., Ltd.- Representative of Wuxi Yanqin ● Independent Director of TAI-TECH Advanced Electronics Co., Ltd. <p>Director of Zyxel Networks Corporation- Representative of Unizyx</p>	
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Note: The eligibility criteria for the nominees for the independent directors above were reviewed and approved by the Board of Directors of the Company on March 24, 2020. The shares were held on the book-close date of the general shareholders' meeting (April 19, 2020).

Attachment 6 :**Proposal to Remove the Non-competition Related Items of Independent Director Nominees.**

Name	Items Proposed to Be Removed from the Non-competition Items of Independent Director Nominees
TUNG, CHIA-CHING	Independent Director of Daxin Materials Corp.
CHEN, YI-MEI	Independent Director of TALANG Technology
LO, WEI	Deputy General Manager of Zyxel I letisim Teknolojileri A.S. Director of Heguan Investment General Manager of Black Cat Incorporation Director of Zyxel Networks Corporation Legal representative of Shanghai Monetics Telecommunications Corporation. Legal representative of MitraStar Technology Corp.- Wuxi Independent Director of TAI-TECH Advanced Electronics Co., Ltd.

Appendix 1

Gallant Precision Machining Co., Ltd. Rules and Procedures of Shareholders' Meeting

1. Except as otherwise provided in the laws and regulations, the procedure of the shareholders' meetings of Gallant Precision Machining Co., Ltd. (hereinafter referred to as the Company) shall be handled in accordance with these Rules.
2. The shareholder referred to in these Rules means the shareholder himself/herself or the representative appointed by the shareholder to attend the meeting.
The attending shareholders shall wear the attendance pass and submit the check-in card.
The number of shares represented by the attending shareholders shall be calculated based on the check-in cards submitted.
3. The attendance and voting of the shareholders' meeting shall be based on the shares of the attending shareholders.
4. The venue of the shareholders' meeting shall be the county or city where the head office of the Company is located or a place convenient for the shareholders' attendance and suitable for holding the shareholders' meeting. The start time of the meeting shall not be earlier than 9:00 am or later than 3:00 pm.
5. If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board. If the Chairperson of the Board is on leave for any reason and unable to exercise the powers of a chairperson, the deputy chairperson shall act in the place of the chairperson. If there is no deputy chairperson or the deputy chairperson is also on leave for any reason and unable to exercise the powers of a chairperson, the Chairperson shall appoint one of the managing directors to act as the chairperson for the meeting. If there are no managing directors, the Chairperson shall appoint one of the directors to act as the chairperson for the meeting. If the Chairperson does not make such an appointment, then the chairperson for the meeting shall be elected among the managing directors or directors.
If the shareholders' meeting is convened by a party other than the Board of Directors, the chairperson of the meeting shall be the convening party.
6. The Company may appoint its lawyer, accountant or related persons to attend the shareholders' meeting in a non-voting capacity.
The staff in charge of affairs related to the shareholders' meeting shall wear an identity card or an armband.
7. The Company shall audio-record or video-record the whole process of the shareholders' meeting and shall keep the record for at least one year.
8. The Chairperson shall call the meeting to order at the scheduled meeting start time. If the attending shareholders do not represent a majority of the total number of shares issued, the Chairperson may announce a postponement, provided that no more than two such postponements for a combined total length of no more than 1 hour may be made. If the quorum is not met after two postponements as referred to

in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Law.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chairperson may resubmit the tentative resolution for a vote in the shareholders' meeting pursuant to Article 174 of the Company Law.

9. If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order as set in the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The Chairperson may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including special motions), except by a resolution of the shareholders' meeting. After the meeting is adjourned, the shareholders shall not elect another chairperson to continue the meeting at the original site or another place. However, if the Chairperson declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chairperson in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

10. Before speaking, an attending shareholder must write down on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance pass number), and account name. The order in which shareholders speak will be set by the Chairperson.

An attending shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

At the time a shareholder is speaking, the other shareholders shall not speak and interfere except with the consent of the Chairperson and the speaking shareholder, otherwise the Chairperson shall stop this interfering behavior.

11. Except with the consent of the Chairperson, a shareholder may not speak for more than twice on the same proposal, and a single speech may not exceed 5 minutes. If a shareholder's speech violates the rules or exceeds the scope of the agenda item or disturbs the order of the meeting, the Chairperson may terminate the speech, and the other shareholders may also request the Chairperson to do so.
12. Where a legal person is entrusted to attend a shareholders' meeting, the legal person shall appoint only one representative to attend. Where a legal-person shareholder

appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same motion.

13. After an attending shareholder has spoken, the Chairperson may respond in person or appoint a relevant person to respond.
14. In the discussion of the motion, if the Chairperson thinks that the point of voting has been reached, he/she may announce a stop to the discussion and the start of the voting session.
15. The persons monitoring the voting on the motion and counting the votes shall be designated by the Chairperson, but the vote monitoring person shall be a shareholder. The results of the voting shall be reported on the spot and recorded accordingly.
16. During the course of a meeting, the Chairperson may announce a break based on time considerations. If the discussion of all the motions can not be completed in a single meeting, a resolution may be adopted at the shareholders' meeting to defer or resume the meeting within 5 days without any further notices or announcements.
17. Except as otherwise provided in the Company Law and in the Articles of Association, a motion is passed with the consent of the attending shareholders with more than half of the voting rights.

At the time of voting, a motion is passed if the Chairperson does not receive any negative response to his/her inquiry, and this verbal voting has the same validity as the physical votes.

Each shareholder has a voting right per share.

A shareholder may entrust a proxy to attend the shareholders' meeting. Except trust businesses or stock affair agents approved by the competent authority, if a proxy is entrusted by two or more shareholders, the voting rights of the proxy shall not exceed 3% of the total number of voting rights of the issued shares, otherwise the voting rights exceeding the percentage shall not be counted.
18. When there is an amendment or an alternative to a motion, the Chairperson shall present the amended or alternative motion together with the original motion, and decide the order in which they shall be put to a vote. When either of them is passed, the other motion shall then be deemed rejected, and no further voting shall be required.
19. The Chairperson may direct proctors (or security personnel) to help maintain the order at the meeting. When proctors (or security personnel) help maintain the order at the meeting, they shall wear an identification card or armband bearing the word "Proctor".
20. In the event of an air raid warning, earthquake, fire or other major disasters during the meeting, the Chairperson may rule the meeting adjourned or temporarily suspended for evacuation. One hour after the lifting of the disaster, the Chairperson shall announce a meeting time.
21. Matters not stipulated in these Rules shall be handled in accordance with the provisions of the Company Law, other relevant laws and regulations and the Articles

of Association of the Company.

22. The Rules are implemented after the adoption of the resolution in the shareholders' meeting, and the same procedure applies to the amendments.

23. The Rules were established on April 29, 1995.

The first amendment was made on May 23, 1998.

The second amendment was made on May 14, 2002.

Appendix 2

Gallant Precision Machining Co., Ltd.

Articles of Incorporation (Before the Amendments)

Chapter 1 General Provisions

Article 1: The Company is organized in accordance with the provisions of the Company Law, and is known as Gallant Precision Machining Co., Ltd.

Article 2: The businesses of the Company are as follows:

- 1.CQ01010 Die Manufacturing (restricted to area outside the Science Park)
- 2.F106030 Wholesale of Die (restricted to area outside the Science Park)
3. F113010 Wholesale of Machinery (restricted to area outside the Science Park)
- 4.CC01080 Electronic Parts and Components Manufacturing (restricted to area outside the Science Park)
5. F401010 International Trade
6. CB01010 Machinery and Equipment Manufacturing
7. CE01010 Precision Instruments Manufacturing
8. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
9. CF01011 Medical Materials and Equipment Manufacturing
10. F208031 Retail sale of Medical Equipments
11. F108031 Wholesale of Drugs, Medical Goods

Research, development, design, manufacturing, and sale of the following items :

- (1) IC Packaging Front End Equipment
 - A. IC Die bonder
 - B. IC Wire bonder
- (2) Flip Chip processing Equipment: Flip Chip Bonder, Chip Sorter, Dispenser Machine
- (3) Semiconductor packaging and testing equipment
- (4) Inspection Equipment for Panel Display Manufacture
- (5) Nano materials testing equipment
- (6) Grid-Connected Solar power system
- (7) Grid-Connected Wind and Solar power system
- (8) Off-Grid Wind and Solar power system
- (9) Off-Grid Wind and Solar Hybrid Power and LED light source Street light
- (10) Other import and export business of related products
- (11) Disposable soft contact lenses
- (12) Functional soft contact lenses

Article 3: The Company may undertake external guarantee due to business needs.

Article 4: If the Company is a limited-liability shareholder of another company, the total investment amount shall not be subject to the 40% paid-in capital limit in the provisions of the Company Law.

Article 5: The head office of the Company is located in the Hsinchu Science-based Industrial Park. If necessary, branch offices or offices of the Company may be established with the approval of the Board of Directors, and their establishment, revocation or change shall be handled according to the resolution of the Board of Directors.

Article 6: The announcement method of the Company shall be handled in accordance with the provisions of Article 28 of the Company Law.

Chapter 2 Shares

Article 7: The total capital of the Company is set at NT\$2.5 billion which is divided into 250 million shares, and the face amount of each share is set at NT\$10. Such shares may be issued in different batches. The Board of Directors is authorized to issue the shares not yet issued based on the actual need.

The aforesaid total capital includes a reserved amount of NT\$100 million for the issuance of the stock options, special shares with stock options or corporate bonds with stock options for a total of 10 million shares at NT\$10 per share. The shares may be issued in different batches in accordance with the resolution of the Board of Directors.

Article 7-1: For the Company's transfer of shares to the employees at a price lower than the average actual purchase price, or issuance of an employee stock option with the stock subscription price lower than the market price (net value per share), shareholders representing more than half of the shares issued shall be present at the shareholders' meeting, and the resolution shall be agreed by the shareholders with more than two-thirds of the total voting rights of the attending shareholders.

Article 8: The share certificates of the Company shall all be registered share certificates, shall be signed or sealed by the directors on behalf of the Company, and shall be issued upon the approval of the competent authority or its authorized issuance registration authority.

The Company may deliver shares by book-entry method in accordance with relevant rules and regulations, without printing share certificate(s); the same applies with other securities issuance.

Article 9: The shareholder shall send his/her true name or its name, domicile or residence and seal specimen card to the Company or the stock agent of the Company for

record, and thereafter the seal on the seal specimen card shall be used for the collection of dividends and the exercise of shareholder's rights in writing.

Article 10: All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Company shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law or regulations.

Article 11: The Company's shares are blocked from registration within 60 days prior to a general shareholders' meeting, within 30 days prior to an extraordinary shareholders' meeting, and within 5 days before the date on which the Company decides to distribute dividends or other interests.

Article 12: The Company may charge a processing fee for a shareholder's application for the issuance of replacement shares or new shares due to share loss or other reasons.

Chapter 3 Shareholders' Meeting

Article 13: The shareholders' meeting of the Company includes the general shareholders' meeting and the extraordinary shareholders' meeting. The general shareholders' meeting shall be convened once a year and within six months after the end of each accounting year. The extraordinary shareholders' meeting shall be convened when necessary.

Except as otherwise provided in the Company Law, the shareholders' meetings mentioned in the preceding paragraph shall be convened by the Board of Directors.

Article 14: Except as otherwise provided in the laws and regulations, each shareholder of the Company shall have one voting right per share

Article 15: When a shareholder is unable to attend a shareholders' meeting for any reason, he/she may issue a power of attorney printed by the Company according to the provisions of the Company Law, and specify the scope of authorization with his/her signature or seal on the power of attorney to appoint a proxy to attend on his/her behalf.

Article 16: For the passing of a resolution in a shareholders' meeting, except as otherwise provided in the Company Law, the shareholders' meeting shall be attended by more than half of the shareholders, and the resolution shall be approved by more than half of the attending shareholders before its implementation.

Article 16-1: The resolutions of a shareholders' meeting shall be recorded in the shareholders' meeting minutes to be signed or sealed by the chairperson of the

shareholders' meeting, and be distributed to the shareholders within 20 days after the meeting. The distribution of the meeting minutes may be carried out by way of a public announcement.

Chapter 4 Directors

Article 17: The Company has seven to nine directors who shall be appointed in the shareholders' meeting in accordance with the provisions of the Company Law.

Article 17-1: In accordance with Article 14-2 of the Securities and Exchange Act, the Company shall appoint independent directors in the above-mentioned directors. The number of Independent Directors shall not be less than three and no less than one fifth of the total number of Directors. The election of Independent directors and non-independent directors shall be held together and the number of elected directors shall be calculated separately.

The professional qualifications, shareholding, concurrent posts restrictions, nomination and election methods of independent directors and other matters that should be complied with, shall be handled in accordance with relevant laws and regulations.

Article 17-2: In compliance with Article 14-4 of the Securities and Exchange Act, The Company shall establish an Audit Committee, which shall consist of all independent directors. There shall be no fewer than three people in Audit Committee, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

The resolution of the audit committee shall be conducted in accordance with relevant laws and regulations.

Article 18: The term of office of the directors shall be three years, and the directors may be re-elected.

Article 18-1: The Company shall purchase liability insurance for the directors each year to reduce and distribute the risk that may cause significant damage to the Company and its shareholders due to the directors' illegal or negligent acts.

Article 19: The Board of Directors shall be composed of the directors of the Company. The directors may elect one of them as the chairperson in a board meeting with the attendance of more than two-thirds of the directors, and the consent of more than half of the attending directors. If necessary, a vice chairperson may be elected among the directors.

Article 20: The Chairperson shall represent the Company externally, and internally carry out all matters of the Company in accordance with the laws and regulations,

the Articles of Association, and the resolutions of the shareholders' meetings and of the board meetings.

Article 21: When one-third of the directors' seats are vacant or all the directors are dismissed, an extraordinary shareholders' meeting shall be convened within 60 days to elect these directors. The term of office shall be limited to the remaining term of their predecessors.

Article 22: The operating principles and other important matters of the Company shall be decided in the board meeting. Except that the first board meeting of each term of directors shall be convened in accordance with the provisions of the Company Law, the other board meetings shall be convened by the Chairperson of the Board who shall also act as the meeting chairperson. If the Chairperson of the Board can not perform his/her duty for any reason, and if there is a Deputy Chairperson in place, then the Deputy Chairperson shall act as the agent of the chairperson. If neither the Chairperson nor the Deputy Chairperson can perform his/her duty, the Chairperson shall appoint one of the directors to act as the agent. If the chairperson does not make the appointment, then the directors shall elect one of them to be the agent.

The Board of Directors shall be informed of the convening of a board meeting 7 days in advance. The Company may convene a board meeting at any time in case of emergency. For the convening of a board meeting, the reasons for the meeting shall be indicated in the notice and the notice may be sent by mail, email or fax.

Article 23: The directors shall attend the board meeting in person. If a director can not attend in person, unless the director lives abroad and there are provisions of the Company Law for this situation, the director may issue a power of attorney and list the scope of authorization to appoint another director to attend, but the appointed director may accept the authorization of one person only.

Article 24: For the passing of a resolution in a board meeting, except as otherwise provided in the Company Law, the board meeting shall be attended by more than half of the directors, and the resolution shall be approved by more than half of the attending directors before its implementation.

Article 25: The remuneration of the directors of the Company shall be within the usual level of the same industry and approved by the Board of Directors.

Article 26: The total number of shares held by all the directors of the Company shall not be less than the number stipulated by the competent government authority.

Chapter 5 Managers

Article 27: The Company shall appoint one chief Executive Officer, one Executive Director, Deputy Chief Executive Officer(s), President(s) and Vice Executive President(s) whose appointment, removal and remuneration shall be governed by Article 29 of the Company Act.

Article 28: The appointment, dismissal and remuneration of the presidents and executive vice presidents shall be handled in accordance with the provisions of Article 29 of the Company Law.

Chapter 6 Accounting

Article 29: The accounting year of the Company is from January 1 to December 31 of each year, and all accounts shall be settled at the end of each year.

Article 30: At the end of each accounting year of the Company, the following documents shall be prepared by the Board of Directors for submission to the shareholders' meeting for acknowledgement:

1. The business report
2. The financial statements
3. The motion concerning surplus distribution or loss make-up

Article 30-1: The Company shall distribute employees' remuneration of not less than 1 percent and not more than 12 percent of the profit of the Company for the current year, and the directors' remuneration which should not be more than 3 percent of the profit of the Company for the current year. However, if the Company still has an accumulated loss, it shall make up for the loss first.

The employees' remuneration may be paid in share or cash, and the subjects of the share or cash payment may include subsidiary employees who meet certain criteria.

The profit for the current year in the first paragraph refers to the pre-tax profit for the current year before the deduction of the employees' remuneration and the directors' remuneration.

For the passing of the resolution in a board meeting on the distribution of the employees' remuneration and the directors' remuneration, the board meeting shall be attended by more than two-thirds of the directors, and the resolution shall be approved by more than half of the attending directors. The resolution shall be reported in the shareholders' meeting.

Article 30-2: The Board of Directors shall distribute all or part of the dividends, bonuses, legal reserve and capital reserve in cash after a resolution by a majority in a meeting attended by two-thirds of the Directors. Such resolution shall be

submitted to the shareholders' meeting. It does not apply to the rule of Shareholders' Meeting resolution in the Articles of Incorporation.

Article 31: If there is a surplus after the current year's accounts, the Company shall pay the tax according to law and make up for the accumulated loss in the previous years, then appropriate 10% of the balance as the statutory surplus reserve. However, if the statutory surplus reserve has reached the total amount of paid-in capital of the Company, then this requirement does not apply.

The Company may, in accordance with its operational requirements and the provisions of the laws and regulations, appropriate or reverse a special surplus reserve. The Board of Directors shall draft a distribution proposal for the remaining balance plus the accumulated undistributed surplus for a resolution in the shareholders' meeting.

In the dividend distribution, the proportion of cash dividends shall not be less than 10% of the total dividends.

Chapter 7 Supplementary Provisions

Article 32: The organization and the rules of service of the Company shall be separately formulated by the Board of Directors.

Article 33: Matters not stipulated in the Articles of Association shall be handled in accordance with the provisions of the Company Law and other relevant laws and regulations.

Article 34: The Articles of Association were established on December 1, 1978.

The 1st amendment was made on November 22, 1982.

The 2nd amendment was made on October 16, 1984.

The 3rd amendment was made on August 8, 1985.

The 4th amendment was made on April 25, 1986.

The 5th amendment was made on October 17, 1986.

The 6th amendment was made on July 8, 1988.

The 7th amendment was made on October 5, 1989.

The 8th amendment was made on February 10, 1990.

The 9th amendment n was made on July 20, 1990.

The 10th amendment was made on June 30, 1991.

The 11th amendment was made on October 20, 1991.

The 12th amendment was made on June 21, 1992.

The 13th amendment n was made on February 14, 1993.

The 14th amendment was made on June 18, 1994.

The 15th amendment was made on April 29, 1995.

The 16th amendment was made on June 15, 1996.

The 17th amendment was made on May 23, 1998.

The 18th amendment was made on June 16, 1999.

The 19th amendment was made on May 10, 2000.
The 20th amendment was made on April 19, 2001.
The 21st amendment was made on April 19, 2001.
The 22nd amendment was made on May 14, 2002.
The 23rd amendment was made on May 22, 2006.
The 24th amendment was made on May 22, 2006.
The 25th amendment was made on December 14, 2006.
The 26th amendment was made on June 13, 2007.
The 27th amendment was made on June 16, 2009.
The 28th amendment was made on June 14, 2010.
The 29th amendment was made on June 22, 2011.
The 30th amendment was made on June 21, 2012.
The 31st amendment was made on June 20, 2014.
The 32nd amendment was made on June 17, 2015.
The 33rd amendment was made on June 27, 2016.
The 34rd amendment was made on June 16, 2017.
The 35rd amendment was made on June 25, 2019.

Appendix 3

Gallant Precision Machining Co., Ltd. Regulations Governing the Election of Directors

1. The election of the directors, except as otherwise provided in the Company Law and the Articles of Association of the Company, shall be handled in accordance with the Method.
2. The cumulative voting method is adopted for the election of the directors of the Company. The name of the voter may be replaced with the attendance card number printed on the ballot. Each shareholder has the same number of electoral votes as the number of directors to be elected, and all the votes may be casted to only one person or to a number of people. Independent directors and non-independent directors shall be elected together, but the votes shall be respectively calculated, and the candidates winning votes representing more voting rights shall be elected as independent directors and non-independent directors.
3. The number of directors of the Company shall be based on the number specified in the Articles of Association of the Company, and the candidates winning more voting rights shall be elected. If there are two or more people winning the same number of voting rights and the prescribed quota is therefore exceeded, the winning candidate shall be decided by a lucky draw. If a candidate is not present, the chairperson shall draw on his/her behalf. The candidate elected as a director per the preceding paragraph may decide to act as a director or not at his/her discretion, and if he/she decides to decline the director position, the next eligible candidate shall take the place.
4. The Chairperson shall call the election to order, and designate a number of people monitoring the voting process and counting the votes to carry out relevant tasks. The vote monitoring person shall be a shareholder.
5. The ballot shall be printed and issued by the Company, and shall be numbered with the attendance card number and marked with the voting rights it represents.
6. The voter shall fill in the name and the shareholder's number of the candidate in the field "candidate elected" on the ballot. If the candidate elected is not a shareholder, his/her name and identity card or unified tax number shall be filled in the field before the ballot is casted. If the candidate elected is the government or a legal-person shareholder, either the name of the government or legal person, or the name of the government or legal person together with the name of its representative shall be filled in the field of "candidate elected". If there are multiple representatives, all their names shall be filled in the said field.
7. The election vote is invalid if any of the circumstances occur:
 - (1) The ballot is not produced according to the provisions of this Method.
 - (2) The ballot casted is blank.
 - (3) The ballot contains words or symbols other than those in the provisions of Article 6.
 - (4) The writing on the ballot is illegible and can not be identified.
 - (5) If the candidate elected/filled in on the ballot is a shareholder, and his/her shareholder's account number or shareholder's name does not correspond to that in the shareholder's register, or if the candidate elected/filled in is not a shareholder, and

his/her name or ID number or unified tax number is incorrect after checking.

- (6) The contents on the ballot are not filled in accordance with the provisions of Article 6 or are incomplete.
- (7) Two or more candidates elected are filled in on the same ballot.
8. After all votes are casted into the cabinet, the vote monitoring person shall open the cabinet.
9. When there is any doubt about a vote, the vote monitoring person shall first check whether or not the vote shall be invalidated and placed elsewhere. After the counting of votes, the number of invalid votes and the voting rights they represent shall be counted and then invalidated and sealed by the vote monitoring person.
10. The ballots should be calculated with the tellers' verification on the accuracy of total numbers of valid and invalid votes. The number of valid/invalid vote casting and the voting rights respectively shall be filled in a log sheet, and the results of the calculation shall be announced by the chairman or his designated officer at the meeting.
11. Matters not stipulated in the Method shall be handled in accordance with the provisions of the Company Law.
12. The Method is implemented after the adoption of the resolution in the shareholders' meeting, and the same procedure applies to the amendments.
13. The Rules for Election of Directors are formulated on April 29, 1995.
The 1st amendment was on May 14, 2002.
The 2nd amendment was on June 21, 2013.
The 3rd amendment was on June 20, 2014.
The 4th amendment will be on June 25, 2019.

Appendix 4

Impact of Stock Dividend Distribution on the Company's Business Performance and Earnings per Share and on the Shareholders' Return on Investment:

The Company does not have any plan to distribute bonus shares and does not have to disclose the financial forecast information publicly.

Appendix 5

Gallant Precision Machining Co., Ltd. Shareholding of Directors

Book-close date: April 19, 2020

Title	Name	Current shareholding		Remarks
		Shares	% of the current shares issued	
Chairman	Sheng-Fa Yeh	1,494,272	0.90%	
Director	Jason Chen	851,418	0.52%	
Director	Hsu, Hung-Ming	1,000	0.00%	
Director	C Sun MFG. Ltd. Representative: You-Wen Liang	33,268,827	20.15%	
Independent Director	Jia-Ching Tung	0	0.00%	
Independent Director	Wei-Ren Hung	0	0.00%	
Independent Director	Cheng Chen	0	0.00%	

Note 1: Total number of shares issued as of April 19, 2020 (book-close date): 165,136,144 shares.

Note 2: Total shareholding legally required of all the directors of the Company: 9,908,168 shares; total shareholding as at April 19, 2020: 35,615,517 shares, the total shareholding of all the directors has reached the required level.

MEMO