Stock Code：5443

Gallant Precision Machining Co., Ltd.

Annual Report 2018

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
Annual Report website of GPM：http://www.gpmcorp.com.tw
Printed on 31/03/2019

Contact Information

I. Company Spokesman：

	Spokesman	Deputy Spokesman
Name	Sandy Ning	Jenny Li
Title	Director	Senior specialist
Tel	886-3-563-9999	886-3-563-9999
E-mail	sandyning@gpmcorp.com.tw	jennylee@gpmcorp.com.tw

II. Headquarters and Facilities：

	Address	Tel
Headquarters	No.5-1, Innovation 1st Rd., Science Based Industrial Park, Hsinchu, 30076, Taiwan.	886-3-563-9999
Facilities	No.28, Keya W.Rd., Central Taiwan Science Park, TaiChung city, Taiwan	886-4-2565-8866

III. Stock Transfer Service：

Company ： President Securities Corporation, Transfer Agency Department

Address ： B1-1.,No.8, Dongxing Rd., Taipei City, Taiwan.

Website ： www.pscnet.com.tw

Tel ： 886-2-2746-3797

IV. Independent Auditor:：

Company ： Kwok-ah Tsang 、LI, TIEN YI

Auditors ： PricewaterhouseCoopers Taiwan

Address ： 5F, No.2 Industry East 3 Rd. Hsinchu Science Park, 30075, Taiwan

Website ： www.pwc.com.tw

Tel ： 886-3-5780205

V. Foreign Securities Trade & Exchange：NA。

VI. Website：www.gpmcorp.com.tw。

Table of Contents

I. Letter to Shareholders

Dear Shareholders: :

First of all, we would like to thank you for your continuous and unwavering support to Gallant Precision Machining Co., Ltd. ("GPM" or "the Company"). Hereafter is the operating result of 2018.

In 2018, GPM standalone revenue totaled NT$3,827,468 thousand, an increase of 1.49% compared with that in 2017. Consolidated revenue was NT$4,873,153 thousand, an increase of 0.69% from that in 2017. In terms of profitability, GPM standalone net income was NT$370,105 thousand, a increase of 84.82% compared with a year earlier. Gross profit ratio was a decrease of 2.13% from the prior year. EPS was NT$2.24.

1.The overview of receipt/expense and profitability of Gallant Precision Machining Group ("GPM Group"):

Financial analysis data			2018
Debt to asset ratio (%)		(%)	56.13
Long-term funds to fixed assets ratio (%)		(%)	535.58
Return on total assets		(%)	6.66
Return on shareholders' equity		(%)	15.04
Percentage of paid-in capital (%)	Operating profit		26.23
	Pre-tax net profit		29.79
Net profit margin		(%)	8.33
Earnings Per Share		(NT$)	2.24

2.Products that have been developed by the Company in 2018

R&D Items (Processing Technology)	Names of machine developed
	● High-Throughput Wafer Glass Surface Defect Inspection .
	● Parts/Material AGV.
	● IC Substrate Grinding MC.
	● Strip Disc Grinding MC.
	● Panel Molding System.
	● GV-50 D/B Post Inspection System.
	● Tray / Boat Laser Marking.
	● 3D IC/Fan Out Bonder.
	● Tape Reel Chip Sorter.
	● Panel Fan Out Bonder.
	● 6S Inspection Chip Sorter.
	● Fully auto laser marking machine
	● High speed duql head pick & place machine

Overview of 2019

1. Annual Operating Policy

1.1 Business Aspect

- Diversify, deepen and expand display industry .
- Extend, promote and branding intelligent automation industry .
- Refine, combine, focus and innovate semiconductor industry.

A. Based on the refining technology of the existing display manufacturing process, with foreign technical cooperation, focus and deeply develop the FPD ARRAY segment high value-added PROBER and wet process etching equipment.

B. Continuously implement the diversification of existing products (such as introduction of IDMS...) and low-cost strategy to increase product competitiveness and profitability, as well as continuously deepen existing core technologies and expand new FPD market (such as μ-LED), expand the aftermarket niche.

C. Profit first. Master the current key forward-looking technology to build a high quality production system, using the Company's electromechanical and software integration technology and QDTCSS as the foundation, the intelligent production management system as the center for the smart factory, unmanned trucks (AGVs) and automation process equipment. Continue the development of intelligent automation, centralize resources to provide strategic partners and key industry representative customers with intelligent automation integration solution, and help achieve their intelligent manufacturing targets.

D. For AGVs, expand the development of potential customers and promote to other customers' demands. For IDMS, strengthen the promotion of IoT system products to various industries, with the introduction of key industrial equipment, strengthen the promotion of 3DOnline system products to key industries with introduction value. AOI+AI service solutions will be provided to enhance the brand image for customers.

E. Through technology introduction/cooperation to fulfill the needs of our partners and customers, we are committed to the development of high-value-added advanced semiconductor front-end testing technology, and the testing and flattening of intermediate and back-end packaging process equipment. And improve the performance of existing IC boards, so as to deepen the product line and expand the customer base.

F. Refine core technologies (AOI, AGVs...), combine resources, get close to the market, provide customer process solutions, focus on deep development quality, innovate to enhance competitiveness and grasp the market trend, enhance customer competitiveness and differentiation.

G. Innovate sustainable operation, continuously expand cooperation with world-class companies in different industries, to become a long-term automation equipment partner, accelerate the research and development of new products, to help customers launch new products in time and into new markets, to build a long-term stable and profitable system.

1.2. 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) precision pick and place technology; (6) precision mold technology; (7) laser technology; (8) intelligent automation technology.

Integrate products in different fields and create value-added, expand the core technology in application in displays, semiconductors, IC panel and intelligent automation industries.

The Company plans to develop following products in 2019:

R&D Item (Processing Technology)	Names of machine to be developed
	● Picosecond Imaging Circuit Analysis，PICA.
	● Emission Microscopy，EMMI.
	● G10.5 Wet Etching.
	● 12”Wafer 2D/3D Defect Inspection & Metrology.
	● High precision Grinding Machine for Fan-out packaging.
	● Panel Temporary Bonding.
	● 3D on-line Processing system.
	● AGV with visual Simultaneous Localization and Mapping.
	● Automatic loading and unloading AGV for 300mm wafer cassette.
	● Array Probe TEG Active instant background noise reduction Low Leakage System Development.
	● Warehouse Automated Guided Vehicle positioning System.
	● Dual Spindle Strip Grinding.
	● Intelligent Diagnosis Maintenance System.
	● Mobile Robot.
	● New IC marking Machine.
	● Flip Chip Bonder.
	● Multi-axis control table(combine laser & vision).
	● Fully Auto Panel Molding System.
	● Semi Auto IPM Motor Molding.
	● DAF Die Bonde.
	● Micro LED Die Transfer machine.
	● 6S Inspection Chip Sorter.
	● 3D IC/Fan out bonder.

2.The Company's forecast on sales volume and its basis for 2019:

unit: set

Main products	2019 budget
Display Process Equipment	171
Semiconductor Process Equipment	260
Intelligent automation equipment	5
Other equipments	25

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

3.Important production and marketing policies

3.1 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.

3.2 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.

3.3 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.

3.4 Continuously promote the intelligence, modularization and standardization of major products, simplify the manufacturing process, improve product function and reliability, and reduce costs.

3.5 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.

3.6 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.

Strategies for Future Development

- Adopt innovation transformation, market extension, sustainable development as the guiding 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
- Based on QDTCS and smart production management system to construct great production system and powerful supply system.
- Build a win-win sale system that meets expectation of the customers. Expand, integrate, and expand After market service.
- International strategy that cultivates talents
- Continue to build strategic alliance, cooperate in technology transfer, and integrate cross-area creative operation.
- Construct long-term stable and profitable operation system.

Impact from Competition, Legislation and Overall Business Environment

1. External Competitive Environment and Overall Business Environment:

The unprecedented changes in industry cycle, the various trend on market and product applications, the fierce external competition and the mainland government's policies on equipment localization have made the display industry, once GPM's core business, under serious threat. Constantly testing of the strain capacity of GPM's management team, Gallant Precision Machining Co., Ltd (GPM) will continue to strengthen its own product technology by introducing overseas advanced technology, improving the quality and level of product to avoid low price competition. Additionally, the Company will expand to semiconductor and smart production industry and new markets outside the mainland China. The Compan business environment, and has established the diversified business strategy and the development goal of the industry.

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 or 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:

At present, the international economy is facing many uncertainties. The trade war between China and the United States is the most important topic that deserves constant attention. As a result of trade war, some enterprises from the Chinese mainland emigrated or moved back to Taiwan or chose to set up factories in Vietnam, Thailand and other southeast Asian countries to spread risks. However, the shortage of technicians and the rising cost in southeast Asian countries have become an irreversible trend in the world. The need for automation equipment is urgent as well. In addition, AI, IoT, Big Data, etc., result into more comprehensive application of automation. GPM is equipped with the technology of automation equipment application process solutions across multiple technology industries. In recent years, GPM has cooperated fully with world-renowned manufacturers in key industries and achieved considerable results in integrating intelligent automation solutions.

Looking forward to the future, with the excellent management team, the professional operation performance and the collective effort of all the staff, GPM is sure to achieve the goal of the Company and achieve the best operation results.

Last but not least, we wish our shareholders health and success!

Nick Yeh
Chairman

Jason Chen
President

II. Company Profile

Date of Establishment： December 22, 1978

Milestones

1978	● GPM was founded with a capital of NT$2 million. Engaged in the design, manufacture and sales of semiconductor precision molds and components. Sales began under the proprietary brand name of GPM.
1980	● Became the first manufacturer in the country to complete the production of IC molding.
1982	● First company in Taiwan to manufacture a semi-automatic dejunk/trim system. ● Kingroup Systems was founded, engaging in robot manufacturing and automation equipment. The company was merged into GPM in 2006.
1983	● Fully automatic dejunk/trim system was adopted by AT&T and BNS, officially launching the company onto the international market.
1989	● Reinvested in Malaysia's FORMOSA Engineering and withdrew our investment in 1995.
1993	● First in the country to launch smart IC molding and laser markers.
1995	● IPO
1996	● Launched the first semi-automatic IC molding machine
1997	● Gallant Precision Industries (Suzhou) CO., Ltd.
1998	● Attained OTC status Launched the first fully automated IC molding machine in Taiwan. ● Established Walton Advanced Engineering, Inc. (joint venture with TOSHIBA), officially engaging in IC packaging equipme manufacturing. The company was merged into GPM in 2002. ● Received MOEA's "6th New Innovation Accomplishment Awards".
1999	● Passed ISO-9001 certification. ● Walton Advanced Engineering, Inc. was established in Hsinchu Science Park.
2000	● Received MOEASMEA's "Taiwan SMEs Innovation Award".
2001	● Passed ISO 2000 certification. ● Received MOEA's "9th New Innovation Accomplishment Awards" ● Established Apex-i Optoelectronics.
2002	● Acquired Walton Advanced Engineering, Inc. ● Received MOEA's "The 9th Innovation Research Awards".
2003	● Established the FPD BU, transferring technology from TOSHIBA ROBOT ● Established Gallant Micro. Machining (Suzhou) Co., Ltd., involving in the production of precision IC molds and IC packaging equipment.
2004	● Received 13th "National Award of Outstanding SMEs" . ● Received science park's "Outstanding Manufacturer and Innovative Product Awards" . ● Entered Commonwealth Magazine's 2006 Top 1,000 enterprises in the manufacturing industry for the first time, ranking 822nd. ● Apex-i Optoelectronics was renamed as Apex-i International Co., Ltd.
2005	● Ranked 539th in Commonwealth Magazine's 2006 Top 1,000 enterprises in the manufacturing industry. ● Received "Excellent Enterprise Innovation Award" from MOEA for industry technology development. ● Received Hsinchu Science Park's "Outstanding Manufacturer and Innovative Product Awards".

2006	● Acquired Kingroup Systems. ● Received Hsinchu Science Park's "2006 Outstanding Manufacturer and Innovative Product Awards".
2007	● Headquarters moved to Hsinchu Science Park ● Ranked 330th in Commonwealth Magazine's 2006 Top 1,000 enterprises in the manufacturing industry. Ranked 12th in the Top 100 for best operating performance. Ranked 25th among the 50 fastest growing companies in the manufacturing industry. ● GMP won first place for equipment localization from MOEA when the flat panel display industry production exceeded the NT$1 trillion mark. ● Won first place for III-V compound semiconductor research alliance from DOIT, MOEA in 2007. ● Won second place for FPD research alliance from DOIT, MOEA in 2007.
2008	● Plant in CTSP completed. ● Received CTSP's Innovation Awards.
2009	● Received "Excellent Enterprise Innovation Award" from MOEA for industry technology development. ● Outstanding annual integrated project "Large flat panel display equipment development program".
2010	● Received CTSP's Innovation Awards ● Founded Gallant Precision Machining Co., Ltd.
2011	● Divided semiconductor-related operations and long-term investment into Gallant Precision Machining Co., Ltd.
2012	● Registered for MOEAIDB's technical service energy. In total, four items were registered: 1. AU1 product design; 2. AU2 automated materials transportation; 3. AU3 automated production; 4. AU4 automated system integration and planning technical service. ● Received an outstanding manufacturer award from the Central Taiwan Science Park (CTSP) for "High-Tech Equipment and Advanced Technology Development Project".
2013	● Received an outstanding manufacturer award from the Central Taiwan Science Park (CTSP) for "High-Tech Equipment and Advanced Technology Development Project".
2014	● MOEA's 2nd Taiwan Mittelstand Award and key assisted manufacturer. ● Outstanding manufacturer for CTSP's 2014 "High-Tech Equipment Prospective Technology Development Project". ●Rank 823 of 2013 Top 2000 Survey: Manufacturing-CommonWealth Magazine.. ● Awarded healthy workplace certification: Health promotion label.
2015	● Received TDUA "Gold Panel Awards 2015-Display Component Product Technology Award". ● Signed technology transfer contract with MICRONICS JAPAN CO., LTD. ● Rank 841 of 2014 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2015 TWSE Corporate Governance Evaluation.
2016	● Signed technology cooperation contract with Sumitomo Precision Products CO., LTD. ● Signed technology transfer and cooperative development contract with International Business Machines Corporation. ● Rank 623 of 2015 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation. ● Gold Panel Awards 2016 - Smart Manufacturing and Equipment" – TDUA.

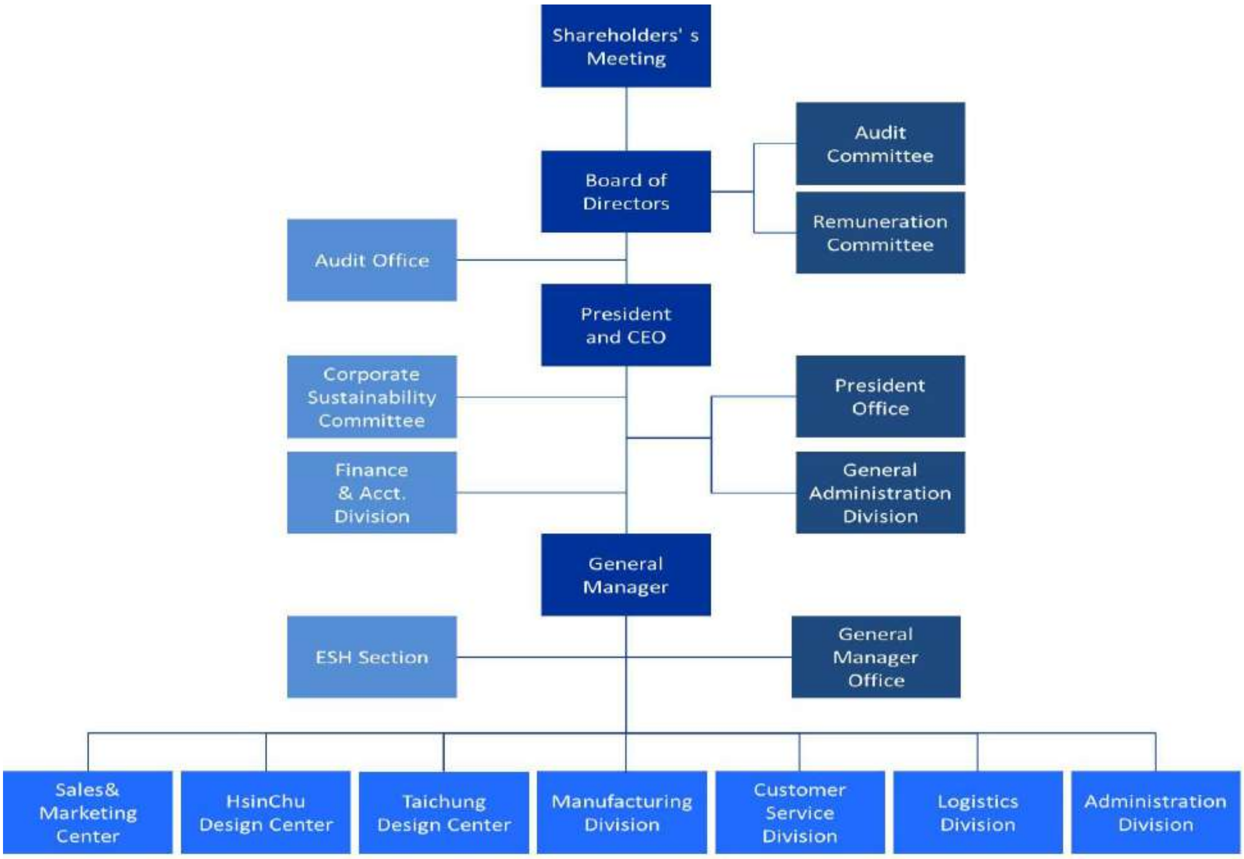
	● Innovative Product Awards" - Central Taiwan Science Park Bureau. ● Development of Advanced Technologies for High-Tech Equipment Award -Talent Excellence" - Central Taiwan Science Park Bureau. ● Development of Advanced Technologies for High-Tech Equipment Award - Industry Technology" - Central Taiwan Science Park Bureau. ● 2016 Workplace Equality Model Company - Hsinchu Science Park Bureau. ● 2016 Work-Life Balance Awards - Ministry of Labor. ● 2016 "Excellent Enterprise, Happy Labors" 2-Star Awards - Taichung City Government.
2017	●Investment to Suzhou Gallant Precision Intelligence Technology Co., Ltd. through Gallant Precision Industries (Suzhou) Co., Ltd. ●Subsidiary Gallant Micro. Machining Co., Ltd. registering on TPEx Emerging Stock Board. ●1st Industry 4.0 Excellence Awards, Academia-Industry Consortium, Central Taiwan Science Park ●Passed OHSAS18001: 2007&TOSHMS qualification ●2017 "Excellent Enterprise, Happy Workplace" 2-Star Awards- Taichung City Government ●Taichung Factory received excellent award from "2017 Taichung City ●Government Workplace Dynamic Innovation Golden Point Award" ●Hsinchu Factory received Top 10 from "2017 Ministry of Health and Welfare ●Workplace Dynamic Innovation Golden Point Award" ●Rank 619 of 2016 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation.
2018	●Subsidiary Gallant Micro. Machining Co., Ltd. was listed on TPEx. ●Excellence Award in Taichung City Industrial Park Landscaping Evaluation ●Sports Administration iSports Certificate ●Vitality Award in Health Promotion Administration Workplace Health Award ●Bronze Award in Business Talent Quality-management System (TTQS) by ●Workforce Development Agency, Ministry of Labor
Jan. 1 to March 31, 2019	●6th National Industrial Innovation Award, M.O.E.A..

III. Corporate Governance

1.Organization

1.1Organization Chart

As of March 31, 2019



1.2 Major Corporate Functions

Department	Functions
President and CEO	· Execute short-term to long-term project development
Audit Office	· Audit the implementation of management system
General Administration Division	• Design computer program, maintain the operation of computer, engage in computerized management • Manage remuneration and HR-related work
Finance & Acct. Division	• Manage capital, budget, investment, accounting treatment and cost calculation.
ESH Section	• Extinguish working environment hazardous factors and lower risk in order to keep employees operational safety • Execute pollution prevention in lowering environmental burden
General Manager Office	• Execute short-term to long-term development policy and corporate business management • Management comprehensively the Company's operation and management • Plan, monitor and analyze internal risk management • Technology development project application and management

Department	Functions
Sales&Marketing Center	• Plan, develop, and manage all the product sales plan • Research on market conditions and assist in new product development evaluation • Explore domestic and international market and maintain existing customers
HsinChu Design Center 、Taichung Design Center	• Provide various equipment and design of machining, software development and programming in catering client's specification
Project Management Office	• Processing development and planning for whole factory and production line, contact lens and solar energy equipments • Project Progress Management • Science project application and management
Manufacturing & Logistics Division	• Integrating and executing of cross-factory material purchase, outsourcing, purchase examination, logistic and storage and machine assembling • Equipment assembly
Customer Service Division	• After-sales service of improvement on equipment that did not meet the specification • Machine relocation/remodeling/execution • Overdue receivables management
Administration Division	• Recruitment, training, employee relations, public affairs, plant affairs and general administration related affairs
Remuneration Committee	• Establishment and periodic examination of performance evaluation and remuneration policy, standard, system and framework of Directors and Managers of the Company • Periodic assessment and determination of the remuneration of Directors and Managers
Audit Committee	• Establishment or revision the assessment of the effectiveness of the internal control system and the internal control system • Establishment or revision of the following handling procedure: major financial and operational behaviors such as acquisition and disposal of assets, trading of derivatives, loaning of funds, and making of endorsements/guarantees. • Matters involved Directors' self interest • Evaluation of material asset or derivatives transactions • Evaluation of material lending funds, endorsements or guarantees • Evaluation of offering, issuance, or private placement of any equity-type securities • Evaulation of hiring or dismissal of an attesting CPA, or the compensation given thereto • Evaluation appointment or discharge of financial, accounting, or internal auditing officers; • Review of financial reports
Corporate Sustainability Committee	• Promotion of Corporate Social Responsibility ("CSR"), ethical management, and corporate governance affairs

2.Directors and Management Team

2.1 Information Regarding Board Members

As of March 31, 2019.;U:nit:Shares

Title/Name	Nationality or Registry	Date Elected	Gender	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman & CEO Nick Yeh	R.O.C.	2017/06/16	Male	3	2002/05/14	1,756,793	1.06%	1,825,817	1.11%	0	0%	0	0%	Master of Business, City University of Seattle, U.S.A. Vice President, Kunghua Technology Co. President, King Ultrasonic Co., Ltd Chairman & CEO, Walton Advanced Engineering, Inc. Chairman, Syntran Co., Ltd. Chairman, Pute Technology Co. Chairman, Gallant Precision Machining Co., Ltd.	Director, Apex-I International Co., Ltd. Chairman, Chun Zhun Enterprise Corporation Chairman, Gallant Precision Machinery (BVI) Ltd. Director, Gallant Precision Industries (Suzhou) Co., Ltd. Chairman, Gallant Precision Machining (Xiamen) Co., Ltd. Chairman, Gallant Precision Machining (Shenzhen) Co., Ltd. Director, King Ultrasonic Co., Ltd. Director, Hitachi Zosen GPM Technology (Suzhou) Co., Ltd. Director, Gallant International Trading CO., Ltd. Chairman, Sunengine Co., Ltd. Chairman, Suzhou Jianmeifu Optical Co.,Ltd. Independent director, member of Remuneration Committee and member of Audit Committee, Zhong Yang Technology Co., Ltd.

Title/Name	Nationality or Registry	Date Elected	Gender	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Director Jason Chen (Note2)	R.O.C.	2017/06/16	Male	3	2017/06/16	109,607	0.07%	184,596	0.11%	0	0%	0	0%	Director of Design Division, Chunghwa Picture Tubes Ltd. Vice President, Gallant Precision Machining Co., Ltd. President, Gallant Precision Machining Co., Ltd.	President, Gallant Precision Machining Co., Ltd. Director, Shinyu Light Co., LTD Chairman, Gallant Precision Industries (Suzhou) Co., Ltd. Chairman, Apex-I International Co., Ltd. Chairman, Gallant International Trading Co., Ltd. Director, Suzhou Jianmeifu Optical Co., Ltd. Chairman, Gallant-Rapid Corporation Limited Director, Gallant Precision Machinery (BVI) Ltd. Director, Chun Zhun Enterprise Corporation. Director, Gallant Precision Machining (Xiamen) Co., Ltd. Chairman, SuZhou Gallant Precision Intelligence Technology Co., Ltd
Director Hsu, Hung-Ming (Note2)	R.O.C.	2017/06/16	Male	3	2017/06/16	1,000	0.00%	1,000	0.00%	0	0%	0	0%	B.Sc. in Electronic and Computer Engineering, National Taiwan University of Science and Technology President, Gallant Micro. Machining Co., Ltd. Vice President, Gallant Micro (Suzhou) Machining Co., Ltd.	President, Gallant Micro. Machining CO., Ltd. Deputy President, Gallant Micro (Suzhou) Machining Co., Ltd.

Title/Name	Nationality or Registry	Date Elected	Gender	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Director C SUN MFG. LTD. Representative: Frank Liang	R.O.C.	2017/06/16	Male	3	2014/06/20	17,177,827	10.40%	29,944,827	18.13%	0	0%	0	0%	Master of Law, School of Law, Northwestern Univ. Certificate in Business Admin., Kellogg School of Management, Northwestern Univ. Univ. of Washington MBA Special assistant to the Chairman, C SUN Mfg., Ltd. Chairman, Suzhou Top Creation Machines Co., Ltd. Chairman, Top Creation Machines Co., Ltd. Director, ViewMove Technologies, Inc.	Chairman, Gallant Micro. Machining CO., Ltd. Vice Chairman, Gallant Precision Machining Co., Ltd. Special assistant to the Chairman, C SUN Mfg., Ltd. Chairman, Suzhou Top Creation Machines Co., Ltd. Chairman, Top Creation Machines Co., Ltd. Chairman, POWER EVER ENTERPRISES LIMITED. Chairman, Huashun Technology Co. Director, ViewMove Technologies, Inc. Director, Powei Technology Co.
Independent Director Chia-Chin Tong	R.O.C.	2017/06/16	Male	3	2014/06/20	0	0%	0	0%	0	0%	0	0%	Bachelor's degree from Department of Chemistry, National Chung Hsing University. President, Hungsheng Technology Co. Chairman, Taiwan Printed Circuit Association Vice Chairman, Compeq Manufacturing Co., Ltd. Consultant, Taiwan Printed Circuit Association Supervisor, Kaolu Technology Co.	Independent director, member of Remuneration Committee and member of Audit Committee, Hing Materials Co., Ltd.
Independent Director William Hung	R.O.C.	2017/06/16	Male	3	2014/06/20	0	0%	0	0%	0	0%	0	0%	M.Sc., Immunology, Medical School, National Taiwan University Assistant Vice President, IBT Management Co. Vice President, H&Q Biomedical Corp. (Taiwan) President, Tanvex Biologics Corp. (Taiwan) CEO, PT Navi	COO, Gloria NCKU Distinguished Visiting Chair

Title/Name	Nationality or Registry	Date Elected	Gender	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Bill Chen	R.O.C.	2017/06/16	Male	3	2015/06/17	0	0%	0	0%	0	0%	0	0%	Ph.D. of Science and Technology, Keio University, Japan Deputy Director, Mechanical and Mechatronics Systems Research Laboratories, ITRI Precision Machinery Development Team. Vice Chairman of MPI Corporation Independent director, Kenly Precision Industrial Co., Ltd Chairman, Setco Precision Solutions	Director of Remuneration Committee, Mirle Automation Corporation Honorary Chairman, Secto Precision Solutions. Independent director, Easy Field Corporation Supervisor, Kenly Precision Industrial Co., Ltd.

Remarks:
1. No member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at GPM.

Major shareholders of institutional shareholders

Names of institutional shareholders	Main shareholders of the institutional shareholders
C SUN Mfg., Ltd.	Chen Liang, Chin-Jung, Haihsing Investment Co. 7.71% Liang,Pi-Ju, Pinchin Investment Co. 6.41% Mao-Chung Liang 5.06% Mao-Sheng Liang 5.28% Chin-Tu Chien 2.05% Emerging market small cap stock fund of Ever Trust Bank 1.66% Shih-Chuan Wang 1.51% JIANG,CHAO-HAN 1.01% Citi Taiwan holds DFA Emerging Markets core securities account 1.01% Hsiu-Hung Fu Liang 0.89% Shen,Hsien-Ho ,Chiayuan Investment Co. 0.87%

Note 1: Data is based on March 31, 2019, the book closure date of the Company.

Major Shareholders of Institutional Shareholders

Name of corporate shareholders	Major shareholders of institutional shareholders
Haihsing Investment Co.	LIANG,PI-CHEN, Liansheng Co., Ltd. 19.53% Chun-Mei Tsou 16.67% Mao-Sheng Liang 16.67% Liang,Pi-Ju, Pinchin Investment Co. 10.10% Mao-Chung Liang 8.33% LIANG,YEH-CHIN-CHIH 8.33% CHANG LIANG,HSIU-CHIEH 7.24% FU LIANG,HSIU-HUNG 7.24% CHEN LIANG,CHIN-JUNG 2.53% LIANG,YU-WEN 1.35%
Pinchin Investment Co.	Pi-Ju Liang 33.33% LIANG,PI-YIN 33.33% LIANG,YU-WEN 33.33%
Chiayuan Investment Co.	Hsien-Ho Shen 30.85%

2.2 Professional qualifications and independence analysis of directors

As of March 31, 2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note1)										Number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Nick Yeh			✓				✓	✓	✓	✓	✓	✓	✓	1
Jason Chen			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Frank Liang			✓			✓	✓		✓	✓	✓	✓	✓	0
Hsu, Hung-Ming			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Chia-chin Tong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
William Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Bill Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note1: Directors or Supervisors with a "√" sign meets the following criteria:

(1). Not an employee of the Company or any of its affiliates.

(2). Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds in accordance of Taiwan government or local government laws.

(3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5). Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6). Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7). Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneratio Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".

(8). Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9). Not been a person of any conditions defined in Article 30 of the Company Law.

(10). Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.3 Management Team：

As of March 31, 2019.;U:nit:Shares

Title/Name	Nationality or Registry	Date Elected	Gender	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President Jason Chen	R.O.C.	2006/10/01	Male	184,596	0.11%	0	0%	0	0%	Master's graduate. Director of Design Division, Chunghwa Picture Tubes Ltd. Vice President of Gallant Precision Machining Co., Ltd. President, Gallant Precision Machining Co., Ltd.	Director and Chairman, APEX-I International CO., LTD. Director, Shiny U Light CO., LTD. Director and Chairman, Gallant International Trading Co.,LTD. Director and Chairman, Gallant Precision Industries (Suzhou) CO., LTD. Director and Chairman, Gallant-Rapid Corporation Limited Director, Gallant Precision Machingery(BVI) LTD. Director, Chun Zhun Enterprise Corporation. Director, Gallant Precision Machinery （Xiamen）Co., LTD. Director and Chairman Gallant Precision Intelligence Technology Co.,LTD.	None		
Deputy President Mufa Chien	R.O.C.	2013/07/01	Male	112,965	0.07%	11,000	0.01%	—	—	Master's graduate. Senior engineer, Chunghwa Picture Tubes Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	None	None		
Deputy President H.M. Lee	R.O.C.	2013/07/01	Male	128,893	0.08%	0	0%	0	0%	Master's graduate. Engineer, Chunghwa Picture Tubes Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	None	None		
Deputy President Tu-Cheng Wang	R.O.C.	2013/07/01	Male	25,981	0.02%	0	0%	0	0%	Junior college graduate. Manager, Ji Feng Automation. Manager, Kingroup Automation. Associate Vice President, Gallant Precision Machining Co., Ltd.	None	None		

<table>
<tr><th rowspan="2">Title/Name</th><th rowspan="2">Nationality or Registry</th><th rowspan="2">Date Elected</th><th rowspan="2">Gender</th><th colspan="2">Shareholding when Elected</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse & Minor Shareholding</th><th rowspan="2">Selected Education & Experiences</th><th rowspan="2">Selected Current Positions at GPM and Other Companies</th><th colspan="3">Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Title</th><th>Name</th><th>Relation</th></tr>
<tr><td>Associate Vice President
Roger Lin</td><td>R.O.C.</td><td>2010/10/01</td><td>Male</td><td>62,077</td><td>0.04%</td><td>0</td><td>0%</td><td>0</td><td>0%</td><td>Master’s graduate.
Manager, Walton Advanced Engineering, Inc.
Associate Vice President, Gallant Precision Machining Co., Ltd.</td><td>None</td><td colspan="3">None</td></tr>
<tr><td>Associate Vice President
Chen- Shun Hsu</td><td>R.O.C.</td><td>2018/07/01</td><td>Male</td><td>712</td><td>0%</td><td>0</td><td>0%</td><td>0</td><td>0%</td><td>Master’s graduate.
Supervisor, Lingsen Precision Industries ,Ltd.
Associate Vice President, Gallant Precision Machining Co., Ltd.</td><td>Associate Vice President
, Gallant Precision Industries (Suzhou) CO., Ltd.</td><td colspan="3">None</td></tr>
<tr><td>Associate Vice President
Angela Huang</td><td>R.O.C.</td><td>2019/01/01</td><td>Female</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>Bachelor’s degree from Nihon University.
Director, KROMAX International Corporation.
Sales Manager, TECO Corporation.</td><td>Associate Vice President
, Gallant Precision Industries (Suzhou) CO., Ltd.</td><td colspan="3">None</td></tr>
<tr><td>Chief Financial Officer
Sandy Ning</td><td>R.O.C.</td><td>2008/08/22</td><td>Female</td><td>88,596</td><td>0.05%</td><td>0</td><td>0%</td><td>0</td><td>0%</td><td>Master’s graduate.
Manager, ProMOS Technologies.
Manager, Space Shuttle High-Tech Co., Ltd.
Manager, Condel Technology Co., Ltd.
Director, Gallant Precision Machining Co., Ltd.</td><td>Supervisor , APEX-I International CO., Ltd.
Supervisor , Hitachi Zosen GPM Technology （Suzhou）Co.,Ltd.
Director, Gallant Precision Industries (Suzhou) CO., Ltd.
Supervisor , Gallant International Trading Co.,Ltd.
Supervisor , Gallant Precision Machinery （Xiamen）Co., Ltd.
Supervisor , Sunengine Co., Ltd.
Director, Gallant Precision Intelligence Technology Co.,Ltd.</td><td colspan="3">None</td></tr>
</table>

2.4 Remunerations Paid to Directors

Unit: Share / NT$ thousands

Title/Name	Remunerations Paid to Directors								Total Compensation (A+B+C+D) as a % of 2016 Net Income		Employees' Profit Sharing Bonus								(A+B+C+D+E+F+G) as % of Net Income		Other Compensations from nonsubsidiary affiliates
	Salary (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)				Salary, Bonus, etc. (E)		Severance Pay and Pensions (F)		Employee Compensation (G)						
	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM		From All Consolidated Entitie		From GPM	From All Consolidated Entitie	
															Cash	Stock	Cash	Stock			
Chairman Nick Yeh Director Jason Chen Director Hsu, Hung-Ming Director C SUN MFG. LTD. Representative: Frank Liang Independent Director Chia-chin Tong Independent Director William Hung Independent Director Bill Chen	720	912	0	0	9,567	10,748	360	498	2.88	3.28	13,000	17,855	426	534	5,932	0	6,892	0	8.11	10.12	None

*Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2018: None.

Remunerations Paid to Directors

Range of Remuneration	Name of Directors			
	Compensation Paid to Directors (A+B+C+D)		**Total Compensation Paid to Directors** (A+B+C+D+E+F+G)	
	From GPM	**From All Consolidated Entities**	**From GPM**	**From All Consolidated Entities**
NT$0 ~ NT$2,000,000	Jason Chen /Hsu, Hung-Ming/ C SUN MFG. LTD. /Frank Liang/Chia-chin Tong/ William Hung / Bill Chen	Jason Chen /Hsu, Hung-Ming/ C SUN MFG. LTD. /Frank Liang/Chia-chin Tong/ William Hung	Hsu, Hung-Ming/ C SUN MFG. LTD. /Frank Liang/ Chia-chin Tong/ William Hung/ Bill Chen	C SUN MFG. LTD. /Frank Liang Chia-chin Tong/ William Hun
NT$2,000,001 ~ NT$5,000,000	Nick Yeh	Nick Yeh / Bill Chen		Bill Chen
NT$5,000,001 ~ NT$10,000,000			Jason Chen	Hsu, Hung-Ming
NT$10,000,001 ~ NT$15,000,000			Nick Yeh	Nick Yeh/ Jason Chen
NT$15,000,001 ~ NT$30,000,000				
NT$30,000,001~ NT$50,000,000				
NT$50,000,001 ~ NT$100,000,000				
Over NT$100,000,000				
Total	7(Contains 1 legal entities)	7(Contains 1 legal entities)	7(Contains 1 legal entities)	7(Contains 1 legal entities)

2.5 Remuneration of the President and Vice President

Unit: Share / NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay and Pensions (B)</th><th colspan="2">Salary, Bonus, etc. (C)</th><th colspan="4">Employees' Profit Sharing Bonus (D)</th><th colspan="2">(A+B+C+D+E+F+G) as % of Net Income</th><th rowspan="3">Other Compensations from nonsubsidiary affiliates</th></tr>
<tr><th rowspan="2">From GPM</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From GPM</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From GPM</th><th rowspan="2">From All Consolidated Entities</th><th colspan="2">From GPM</th><th colspan="2">From All Consolidated Entities</th><th rowspan="2">From GPM</th><th rowspan="2">From All Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Nick Yeh</td><td rowspan="5">11,076</td><td rowspan="5">12,068</td><td rowspan="5">1,016</td><td rowspan="5">1,016</td><td rowspan="5">10,496</td><td rowspan="5">10,496</td><td rowspan="5">9,563</td><td rowspan="5">0</td><td rowspan="5">9,563</td><td rowspan="5">0</td><td rowspan="5">8.69</td><td rowspan="5">8.96</td><td rowspan="5">None</td></tr>
<tr><td>President</td><td>Jason Chen</td></tr>
<tr><td>Deputy President</td><td>Mufa Chien</td></tr>
<tr><td>Deputy President</td><td>H.M. Lee</td></tr>
<tr><td>Deputy President</td><td>Tu-Cheng Wang</td></tr>
</table>

Note1: The policies, standards, combinations, decision procedures and performance linkage of remunerations paid to managers: The compensations are determined in accordance with managers' position, responsibility, contribution, performance and uncertainties and risks of the Company.

Note2: Pensions funded/paid according to applicable law.

Compensation Paid to President & CEO and Vice Presidents

Range of Remuneration	Name of President and Vice President	
	From GPM	From All Consolidated Entities
NT$0 ~ NT$2,000,000		
NT$2,000,001 ~ NT$5,000,000	Mufa Chen/ H.M. Lee/ Tu-Cheng Wang	Mufa Chen/ H.M. Lee/ Tu-Cheng Wang
NT$5,000,001 ~ NT$10,000,000	Jason Chen	Jason Chen
NT$10,000,001 ~ NT$15,000,000	Nick Yeh	Nick Yeh
NT$15,000,001 ~ NT$30,000,000		
NT$30,000,001~ NT$50,000,000		
NT$50,000,001 ~ NT$100,000,000		
Over NT$100,000,000		
Total	5	5

2.6 Employees' Profit Sharing Bonus Paid to Management Team：

Unit: Share / NT$ thousands

Title	Name	Stock (Fair Market Value)	Cash Total Employees' Profit Sharing Bonus	Cash Total Employees' Profit Sharing Bonus	Cash Total Employees' Profit Sharing Bonus
Chairman	Nick Yeh	0	13,060	13,060	3.53%
President	Jason Chen				
Deputy President	Mufa Chien				
Deputy President	H.M. Lee				
Deputy President	Tu-cheng Wang				
Associate Vice President	Roger Lin				
Associate Vice President	Chen- Shun Hsu				
Associate Vice President	Angela Huang				
Chief Financial Officer	Sandy Ning				

2.7 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

Year	Ratio of total remuneration paid to directors to net income (%)		Ratio of total remuneration paid to presidents and vice presidents to net income (%)	
	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities
2017	2.93%	3.28%	8.14%	8.63%
2018	2.88%	3.28%	8.69%	8.96%

Note 1: The above remuneration to directors and supervisors includes salary, remunerations and allowances (excluding compensations earned as employee of GPM or of GPM Affiliates); The remuneration to president and vice president includes salary, bonus, pension, and employee compensation.

1. The Remuneration Committee sets up and reviews the performance evaluation and remuneration policy, standard, system and framework of Directors and Officers of the Company. Remuneration Committee will make proposal for Board Meeting discussion.

2. "Board of Directors performance evaluation, compensation and remuneration" is a guidance for the Company to review the performance of board members and for the Remuneration Committee to evaluate individual director's compensation. Among the indicators, law and regulation compliance accounts for 60% and the level of participation to the Company's operation accounts for 40%. The reasonableness of performance review and remuneration shall be review by Remuneration Committee and Board of Directors. The remuneration system shall be changed, subject to actual business condition and law, to strike a balance between corporate sustainability and risk control.

3.Corporate Governance Report：

3.1 Operation of the Board

3.1.1 Board of Directors' Meeting Status：

The Company's shareholders elected the 14th Board of Directors in Annual General Meeting on June 16, 2017, effective immediately. (From June 16, 2017 to June 15, 2020)

The 14th Board of Directors held 9 sessions in 2018. The attendance of the Directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Nick Yeh	9	0	100%	
Director	Jason Chen	9	0	100%	
Director	Hsu, Hung-Ming	9	0	100%	
Director	C SUN MFG. LTD. Representative: Frank Liang	9	0	100%	
Independent Director	Chia-chin Tong	8	1	89%	
Independent Director	William Hung	9	0	100%	
Independent Director	Bill Chen	8	1	89%	

3.1.2 Other Required Notes for the Board Meetings:

(1) Items listed in Article 14-3 in Securities and Exchange Act or Board resolutions independent directors have dissenting opinions or qualified opinions with notes in minutes of the directors meetings:

A. The Company has set up audit committee, therefore, Article 14-3 in Securities and Exchange Act is not applicable. Regarding Article 14-5 in Securities and Exchange Act, please refer to "Audit Committee Meeting Status" on page 25 of this Annual report.

B. Besides items listed in Article 14-3 in Securities and Exchange Act, board resolutions that independent directors have dissenting opinions or qualified opinions with notes in minutes of the directors meetings: None.

(2) For execution status regarding matters bearing on the personal interests and recusal of directors due to conflict of interests, the name of the director, proposal, the reason for recusal and board resolution shall be stated:

Date	Name of Director	Agenda	Reason for recusal	Voting results	Resolution
2018.05.07	Nick Yeh	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director and concurrently act as the managerial officer of GPM	Did not vote	Other attending directors agreed accordingly
2018.05.07	Jason Chen	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director and concurrently act as the managerial officer of GPM	Did not vote	Other attending directors agreed accordingly
2018.05.07	Frank Liang	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director	Did not vote	Other attending directors agreed accordingly

2018.05.07	Hsu, Hung-Ming	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director	Did not vote	Other attending directors agreed accordingly
2018.05.07	Chia-chin Tong	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director	Did not vote	Other attending directors agreed accordingly
2018.05.07	William Hung	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director	Did not vote	Other attending directors agreed accordingly
2018.05.07	Bill Chen	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director	Did not vote	Other attending directors agreed accordingly
2018.06.22	Nick Yeh	Proposal of a raise to officers	Concurrently act as the managerial officer of GPM	Did not vote	Other attending directors agreed accordingly
2018.06.22	Jason Chen	Proposal of a raise to officers	Concurrently act as the managerial officer of GPM	Did not vote	Other attending directors passed accordingly

(3) For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, Measures taken to strengthen the functions of the Board (such as setting up Audit Committee, improve information transparency) and the results:

A. The Company is endeavoring to improve the transparency of information. GPM discloses real-time information MOPS website to maintain shareholder equity.

B. The Company set up Remuneration Committee on December 22, 2011. Remuneration Committee is in charge of assisting Board Meeting in reviewing the performance evaluation and remuneration policy, standard, system and framework for board of directors and officers.

C. Three of the Seven Directors are Independent Directors. The Independent Directors have expertise in different areas, in accordance with the policy of diversification.

D. The Company voluntarily set up Audit Committee. The Audit Committee's primary duty is to supervisor the fair presentation of financial statement, the hiring, dismissal, independence and performance review of the independent auditor, effectiveness of internal control, compliance of law and regulations, and risk control of existing or potential risk factors.

E. The Company set up Corporate Sustainability Committee in 2016 August. Corporate Sustainability Committee is in charge of promoting CSR, ethical management and corporate governance affairs and reports to Board of Directors periodically.

Note 1: The Board of Directors convened Ninth meetings in 2018.

Note 2: The directors' attendance status for 2018 V: Attendance in Person ◎：By Proxy

2018	The first meeting	The second meeting	The third meeting	The fourth meeting	The fifth meeting	The sixth meeting	The seventh meeting	The eighth meeting	The ninth meeting
Chia-chin Tung	V	V	V	V	V	◎	V	V	V
William Hung	V	V	V	V	V	V	V	V	V
Bill Chen	V	V	V	V	V	V	◎	V	V

3.2 Operation of Audit Committee

3.2.1 Audit Committee Meeting

The Audit Committee held 8 sessions in 2018. The attendance of the Independent Directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	William Hung	8	0	100%	
Independent Director	Chia-chin Tong	7	1	88%	
Independent Director	Bill Chen	7	1	88%	

3.2.2 Other Required Notes for Audit Committee Meeting

1. Any action regulated by Securities and Exchange Act 14-5, or any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead:
   (1)Any action regulated by Securities and Exchange Act 14-5: Audit Committee's opinion or resolution on material items, please see Attachment 1.
   (2)There was no other resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2018.
2. Any recusal of Independent Directors due to conflicts of interests: None
3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):
   (1) The Company convenes Audit Committee regularly and invites external auditors, chief internal auditor and relevant person in charge if necessary.
   (2) According to annual internal audit plan, the internal auditor officer reports to Audit Committee periodically.
   (3) The member of Audit Committee make periodic communications regarding quarterly review or audit of financial statements and other discussion required by laws and review the selection and independence of independent auditor.
   (4) For the communication history between audit committee, external auditor, and internal audit supervisor, please visit the Company's website.

Attachment 1: Any action regulated by Securities and Exchange Act 14-5: Audit Committee's opinion or resolution on material items

<table>
<tr><th>The date of Audit Committee meeting</th><th>Proposals and Follow-up Actions</th><th>Any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead</th></tr>
<tr><td rowspan="3">5th Meeting of the 2nd Audit Committee</td><td>1.Proposal for the capital increase in Phoenix & Corporation through Gallant-Rapid Corporation Limited
2.Adoption of the investment in Biological Technology (Suzhou) Co., Ltd. through Gallant Precision Machinery (Xiamen) Co., Ltd.</td><td>None</td></tr>
<tr><td colspan="2">Resolution:
1.To be resolved by the Board of Directors with consent of all attending members of the Audit Committee.
2.Adopted by all attending members of the Audit Committee.</td></tr>
<tr><td colspan="2">Action taken by G Action taken by GPM in response to the Audit Committee's resolution:
1.After being proposed in the Board meeting for discussion, the resolution was rejected by all attending directors.
2.After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.</td></tr>
<tr><td>6th Meeting of the 2nd Audit</td><td>1.Examination on the effectiveness of the internal control system and Statement of Internal Control for 2017
2.2017 financial statements and business report
3.Making of endorsements/guarantees for subsidiaries</td><td>None</td></tr>
</table>

Committee	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
7th Meeting of the 2nd Audit Committee	1. Deliberation on the 2017 earnings distribution.	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
8th Meeting of the 2nd Audit Committee	1.2018consolidated financial statements 2.Cash capital increase in Gallant-Rapid Corporation Limited (GRC) 3.Renewal and change of the amount of endorsements/guarantees for subsidiaries	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
9th Meeting of the 2nd Audit Committee	Disposal of shares of Gallant Micro. Machining Co., Ltd. for over-allotment in TPEx listing.	None
	Resolution: GPM and C Sun Manufacturing Ltd. plan to sell shares for over-allotment at a price not less than NT$40 based on the shareholding percentage.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
10th Meeting of the 2nd Audit Committee	Disposal of shares of Gallant Micro. Machining Co., Ltd. for over-allotment in TPEx listing.	None
	Resolution: All attending members of the Audit Committee resolved not to sell shares for over-allotment.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
11th Meeting of the 2nd Audit Committee	1.Amendment to the internal control system 2.Withdrawal from the cash capital increase in Suzhou Guoke Junhao Biotechnology Co., Ltd.	None
	Resolution: All attending members of the Audit Committee resolved not to sell shares for over-allotment.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
12th Meeting of the 2nd Audit Committee	1.2019it plan 2.Evaluation of the independence and competence of incumbent CPAs 3.Making of endorsements/guarantees for invested companies	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	

3.3 Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Assessment Item		State of Operations			Departure from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
Does the company follow the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies to establish and disclose its corporate governance practices?		√		GPM has stipulated and disclosed the "Corporate Governance Practice" on the company website: http://www.gpmcorp.com.tw/zh-tw/investor/index/64	None
Shareholding Structure & Shareholders' Rights	Does the company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, are these procedures implemented accordingly?	√		GPM has established the "Corporate Governance Practice" and the spokesperson system. There are also stock affairs division and stock affairs agent in charge of related business, which are disclosed on the company website.	None
	Does the company possess a list of major shareholders and beneficial owners of these major shareholders?	√		According to applicable rules, GPM publishes the shareholdings of insiders and tracks its variation to renew the list of major shareholders and beneficial owners of these major shareholders.	None
	Does the company build and execute a risk management system and "firewall" between the company and its affiliates?	√		GPM has established internal control guidance, such as the "Procedures for Related Party Transactions" and the "Procedures for Monitoring Business Management of Subsidiaries", and built the risk control and firewall mechanisms between the Company and its affiliates. Each year, the internal audit team audits the compliance results in accordance with its audit plan.	None
	Does the company establish internal rules prohibiting insider trading with undisclosed information?	√		GPM has established the "Procedures for Internal Material Information and Prevention of Insider Trading", prohibiting the staff and managers from insider trading with undisclosed information. The procedures can be found on the Intranet and the company website. Training course are held every year if necessary.	None

Assessment Item		State of Operations			Departure from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
Composition and Responsibilities of the Board of Directors	Does the company establish and implement a diversification policy for the composition of the Board of Directors?	√		GPM has established the "Corporate Governance Practice". The composition of the Board of Direction shall take into account the policy of diversification. Currently, the Board of Directors is equipped with business judgment, business management, leadership and decision-making, accounting and financial analysis, international views and industry knowledge. Members are from various industries (Independent Director Tung, Chia-Ching served as the chairman of Taiwan Printed Circuit Association; Independent Director Hung, Wei-Jen holds a master's degree in immunology and serves as the president of Tanvex BioPharma Inc.; Independent Director Chen Cheng served as the vice president of Mechanical and Mechatronics Systems Research Laboratories, Industrial Technology Research Institute) according to the policy of diversification. The academic record and experience of the Board of Directors can be found in the attachment on pages 11~14 of the Annual Report.	None
	Other than the Remuneration Committee and the Audit Committee which are required by the law, does the company set up other functional committees?	√		Besides the Remuneration Committee, GPM has voluntarily set up the Audit Committee. Both of the committees are composed of independent directors entirely. Moreover, GPM has also formed the Corporate Sustainability Committee that reports its status and achievements to the Board of Directors from time to time. The duties of the Corporate Sustainability Committee can be found on page 254 of the Annual Report.	None

Assessment Item		State of Operations			Departure from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
	Does the company establish the methodology for evaluating the performance of its Board of Directors and conduct the evaluation on a regular basis every year?	√		GPM established the "Regulations Governing Board of Directors Performance Evaluation and Remuneration" on August 4, 2016 to conduct a periodic performance evaluation on the Board of Directors. At the end of each year, after taking into account the control of GPM's goal and mission, awareness of duties, level of involvement in GPM's operations, internal relationship and communication, Director's expertise and continuing education, and internal control, GPM conducts the performance evaluation by means of questionnaire. The evaluation procedure shall start after the end of a year and end no later than the latest Board meeting. The results shall be reported in the Board meeting to improve the functions of Board of Directors. GPM has completed its performance evaluation on the Board of Directors in March 2019 and reported in the Board Meeting on March 26, 2019.	None

Assessment Item		State of Operations			Departure from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
Composition and Responsibilities of the Board of Directors	Does the company regularly evaluate the independence of its CPAs?	√		GPM has established the "Regulations Governing the Examination of the Selection of CPAs". Each year, the Audit Committee and the Board of Directors review the independence and competence of its CPAs. Before the selection, the CPAs issues a statement of independence. The Finance & Accounting Division makes sure that the CPAs receive no other financial interest and have no other business relationship with GPM besides the audit of financial statements and tax return. The Finance & Accounting Division also sends a request to the stock affairs agent to ensure the shareholding of the CPAs before making a judgment of its independence and competence, and sends a proposal to the Audit Committee and the Board of Director for a resolution. The CPA review report for 2018 has been proposed and approved by the Audit Committee and the Board of Directors on December 20, 2018. GPM's assessment requirements for CPAs are listed as follows: ➢The CPA or his or her spouse or minor child shall not have the investment or financial interests relations with GPM. ➢The CPA or his or her spouse or minor child shall not have borrowings from GPM. ➢The CPAs or the audit team members are not involved in the promotion or brokerage of stocks or other securities issued by GPM. ➢The CPAs or the audit team members do not currently serve or have served within the past two years as GPM's directors, managerial officers, or other positions that could seriously impact the audit. ➢The CPAs or the audit service team members are not a spouse, direct relative, directive relative by marriage or relative within the second degree of kinship of GPM's director, managerial officer, or an individual whose duties may post a considerable impact on the audit. ➢The CPA is not hired by the client or audited company for a regular job with regular salary or serving as a director or supervisor.	None
Composition and Responsibilities of the Board of Directors	Does the company regularly evaluate the independence of its CPAs?	√		➢When the CPA provides his or her audit, inspection, review, or professional review and produces an opinion, does he or she maintain the substantial independence as well as the formal independence? ➢The CPA does not have disciplinary records from the CPA Discipline Committee within the past two years.	None

Assessment Item		State of Operations			Departure from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
Does the company establish an exclusively (or concurrently) designated corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to the Board meetings and shareholders' meetings according to laws, handling company registration and change registration, and producing minutes of the Board meetings and shareholders' meetings)?		√		The corporate governance team under the Corporate Sustainability Committee is in charge of affairs relating to corporate governance. The head of the Finance & Accounting Division is in charge of supervision. The corporate governance team is responsible for handling matters relating to the Board meetings and shareholders' meetings, making the minutes of the Board meetings and shareholders' meetings, handling company registration and change registration, and arranging training for directors.	None
Does the company establish a means of communication with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and create a stakeholders section on its website? Does the company respond to stakeholders' questions about CSR appropriately?		√		GPM has set up a stakeholder section on its website, where GPM discloses the means of communication and CSR topics depending on the identity of stakeholders (employees, customers, suppliers, investors, government and community).	None
Does the company appoint a professional stock affairs agent for its shareholders' meetings?		√		GPM has appointed President Securities Corporation as its professional stock affairs agent to handle shareholders' meetings and stock affairs.	None
Information Disclosure	Does the company establish a website to disclose information on its finances, business operations, and corporate governance?	√		GPM has disclosed its finances, business operations, and corporate governance on its website. (http:// www.gpmcorp.com.tw/zh-tw/investor/index)	Information Disclosure
	Does the company use other information disclosure channels (e.g. maintaining an English website, designating employees to handle information collection and disclosure, appointing a spokesperson, and webcasting investors conferences)?	√		1.The company website (http://www.gpmcorp.com.tw/zh-tw/investor / index) features an investor relations section in Chinese, English, and Japanese. GPM's financial information is updated regularly for investors' reference. 2. Disclosure of business information The company website features GPM's profile, product, and service in Chinese, English and Japanese. GPM's business information is updated at any time for investors' reference. 3. Disclosure of corporate governance information GPM has disclosed the following information on its website: internal audit organization and function, Articles of Incorporation, Procedures for Acquisition or Disposal of Assets, Procedures for Making of Endorsements/Guarantees, Procedures for Lending of Funds, Audit Committee Charters, and Remuneration Committee Charters. GPM also has a spokesperson in place and has designated the persons in charge of information collection and disclosure according to laws.	

Assessment Item		State of Operations			Departure from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
	Does the company disclose other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee care, investor relations, supplier relationship, rights of stakeholders, training records of directors and supervisors, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and purchasing of liability insurance for directors and supervisors)?	√		**Employee rights and employee care** GPM values the rights and future development of employees; therefore GPM has established an Employee Welfare Committee to offer various employee benefits. Furthermore, GPM has formulated the “Education and Training Quality Manual” to encourage employees to participate in a variety of training and skill cultivation courses. In addition, GPM has implemented a pension plan and labor-management communication channels. Employee benefits, learning and development, employee communication, and work-life balance measures are disclosed in the HR section on the company website. **Investor relations** In accordance with the law, GPM has created a dedicated unit to disclose financial and business-related information on MOPS and the company website in a bid to achieve information transparency. **Supplier and contractor relationship** GPM has established the “Supplier Management Regulations” and the “Contractor Management Regulations” to keep the business conduct of employees and suppliers in check, thereby avoiding jeopardizing the reputation and interests of both parties. Furthermore, prior to collaboration with suppliers after the completion of screening, suppliers are required to sign an non-disclosure agreement with GPM to protect the rights and obligations of both parties. Each year, GPM convenes a supplier meeting. In addition to delivering the core idea of sustainability, GPM also gives awards to suppliers which are extraordinary in the dimensions of quality improvement, cost reduction, assured delivery, and sustainability. GPM convenes a contractor meeting on a regular basis to have dual negotiations. Each year, GPM gives awards to contractors with outstanding performance. In 2018, a total of 6 contractors won the EHS award. GPM also signs the "Contractor's Commitment to EHS" with contractors to secure and regulate the construction safety of customers and factories. **Rights of stakeholders** The company website has a stakeholders section as a communication channel to protect the legal rights of both parties. Furthermore, GPM has stipulated the “Contract Review Procedures” to protect its interests and ensure the reasonableness of contracts.	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">State of Operations</th><th rowspan="2">Departure from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure</th></tr>
<tr><th>Y</th><th>N</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><u>Continuing education and training for directors</u>
Directors have participated in continuing education in accordance with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies". The record of continuing education and training can be found on MOPS and in Attachment 1.
<u>Implementation of risk management policies and risk evaluation measures</u>

Please refer to page 254 of the Annual Report.</td><td></td></tr>
<tr><td>Does the company disclose other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee care, investor relations, supplier relationship, rights of stakeholders, training records of directors and supervisors, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and purchasing of liability insurance for directors and supervisors)?</td><td>√</td><td></td><td><u>Implementation of customer policies</u>
GPM maintains close contact with customers and has assembled a professional customer service team as well as a comprehensive after-sales service system to provide quality services. As a result, GPM is able to help customers improve competitiveness and create additional value.
<u>Purchasing of liability insurance for directors</u>
GPM has purchased liability insurance for directors and supervisors to minimize and disperse the risk of heavy loss sustained by GPM and its shareholders due to erroneous or negligent conduct of the directors. The detail of liability insurance has been published on MOPS. The detail of liability insurance has been reported to the Board of Directors on March 26, 2019.</td><td>None</td></tr>
<tr><td colspan="5">The Company was one of the top 20% companies in the 3rd TWSE Corporate Governance Evaluation.
The Company has been following its core value of sustainability. In 2016, the Corporate Sustainability Committee was set up with aims of achieving corporate sustainability, building long-term partnership with customers and communities, and fulfilling corporate social responsibility. The Corporate Sustainability Committee is in charge of promoting CSR, ethical corporate management, and corporate governance affairs and reporting to the Board of Directors every year.
Improvement measures taken by GPM to respond to the results of the Corporate Governance Evaluation:
➢In 2017, GPM introduced OHSAS18001&TOHSMS occupation safety and health system. Through the management cycle, "Plan", "Do", "Check", and "Act", GPM has established a comprehensive occupational safety and health system to perform all-round management and create a safe and comfortable work environment. GPM obtained the OHSAS18001&TOHSMS certification in December 2017.
➢Since 2017, an electronic voting system has been adopted for shareholders' meetings.
➢The diversification of the Board of Directors will be disclosed in an annual report and on the company website.
➢GPM will improve the disclosure of Audit Committee's resolutions on major proposals and action taken by GPM in response to the Audit Committee's resolutions in an annual report based on the term, instead of date, of an Audit Committee meeting.
➢The number of employees attending internal and external training on ethical corporate management will be disclosed in an annual report.</td></tr>
</table>

Attachment 1: Training Record of Directors and Independent Directors in 2018

Title	Name	Date of Training	Organized by	Name of Course	Training Hours	Total Training Hours in 2018
Director	Nick Yeh	January 11, 2018	Accounting Research and Development Foundation	Regulations, Practices, and Latest Trends of Corporate Social Responsibility (CSR) Reporting	3	6
		March 21, 2018	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulation	3	
Director	Jason Chen	March 5, 2018	Taipei Exchange	Forum on Electronic Voting and Corporate Value Improvement	3	12
		March 30, 2018	Taiwan Corporate Governance Association	Operations and Duties of the Board of Directors	3	
		April 11, 2018	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Succession of Family Businesses	3	
		June 1, 2018	Taiwan Corporate Governance Association	Key Information Hidden in Financial Statements	3	
Director	Hsu, Hung-Ming	March 22, 2018	Securities & Future Institute	Analysis of Corporate Financial Information and Its Application to Decision-making	3	6
		June 26, 2018	Taiwan Corporate Governance Association	Enhancing Corporate Governance by Fraud Detection and Whistle-blowing Mechanism	3	
Director Representative of the Corporation	Frank Liang	March 2, 2018	Taiwan Corporate Governance Association	Board of Directors' Response to Technological Development in the Ever-changing Environment	3	15
		March 30, 2018	Taiwan Corporate Governance Association	Operations and Duties of the Board of Directors	3	
		May 22, 2018	Securities & Future Institute	Enhancing Corporate Governance by Fraud Detection and Whistle-blowing Mechanism	3	
		May 29, 2018	Taiwan Corporate Governance Association	Board of Directors' Decision-making for Avoidance of Breach of Trust and Non-arm's Length Transactions	3	
		June 1, 2018	Taiwan Corporate Governance Association	Key Information Hidden in Financial Statements	3	
Independent Director	Chia-chin Tung	April 11, 2018	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Succession of Family Businesses	3	6
		May 28, 2018	Taiwan Corporate Governance Association	Emergence of Artificial Intelligence and Consumer to Business (C2B)	3	
Independent Director	William Hung	December 14, 2018	Taiwan Corporate Governance Association	Effect of New Amendments to the Company Act on TWSE/TPEx Listed Companies	3	6
		December 14, 2018	Taiwan Corporate Governance Association	Evaluation of Functions and Performance of the Board of Directors	3	
Independent Director	Bill Chen	July 19, 2018	Securities & Future Institute	Effect of New Amendments to the Company Act on Corporate Governance and Duties of Directors and Supervisors	3	6
		July 19, 2018	Securities & Future Institute	Development Trends and Prevention of Company Corruption from the Perspective of Corporate Governance	3	

3.4 Operation of the Company's Remuneration Committee

3.4.1 Responsibilities of the Company's Remuneration Committee:

The Remuneration Committee aims at establishing and regularly reviewing the performance evaluation procedure for directors and managers as well as establishing compensation policy, system, standard and structure and regularly reviewing the compensation of directors and managers.

3.4.2 Composition of the Company's remuneration committee:

The Company's remuneration committee was established on December 22, 2011. According to related regulations of the Securities and Futures Bureau, Financial Supervisory Commission, the professional qualification and independence criteria of the 3rd Remuneration Committee's members are below:

Criteria / Title Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note1)										Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Independent Director Chia-chin Tong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director William Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Bill Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note：

Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under o thers' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;
6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not been a person of any conditions defined in Article 30 of the Company Law.

3.4.3 Remuneration Committee Meeting Status

The tenure of the Company's 3rd remuneration committee is from June 26, 2017 to June 15, 2020. The convener, Mr. Chia-chin Tong held Fifth sessions in 2018 and the attendance of members is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	Chia-chin Tong	5	0	100%	
Independent Director	William Hung	5	0	100%	
Independent Director	Bill Chen	5	0	100%	

(1) In cases the Board doesn't adopt or revise Remuneration Committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to Remuneration Committee's proposal: None.
(2) In cases Remuneration Committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion: None.

Attachment 1: Remuneration Committee's Resolutions on Major Proposals and Action Taken by GPM in Response to the Remuneration Committee's Resolutions

The date of remuneration committee Meeting	Proposals and Follow-up Actions
2nd Meeting of the 3rd Term	1.Proposal for the distribution of 2017 year-end bonus for senior executives.
	Resolution: Adopted by all attending members of the Remuneration Committee.
	Action taken by GPM in response to the Remuneration Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.
3rd Meeting of the 3rd Term	1.Proposal for the distribution of 2017 remuneration for employees and directors.
	Resolution: Adopted by all attending members of the Remuneration Committee.
	Action taken by GPM in response to the Remuneration Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.
4th Meeting of the 3rd Term	1.Proposal for the distribution of 2017 remuneration for directors and employee remuneration for senior executives. 2.Proposal for the amendment to the salary scale.
	Resolution: 1.Adopted by attending members of the Remuneration Committee (including those by proxy) other than senior executives excusing themselves from the discussion and voting due to the conflict of interests according to laws. 2.Adopted by all attending members of the Remuneration Committee.
	Action taken by GPM in response to the Remuneration Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.
5th Meeting of the 3rd Term	1.Proposal for the adjustment of 2018 salary for senior executives.
	Resolution: Adopted by attending members of the Remuneration Committee (including those by proxy) other than senior executives excusing themselves from the discussion and voting due to the conflict of interests according to laws.
	Action taken by GPM in response to the Remuneration Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.
6th Meeting of the 3rd Term	1.Proposal for the promotion of Senior Executive Assistant Huang, Tzu-Ying to Assistant Vice President & Senior Executive.
	Resolution: Adopted by all attending members of the Remuneration Committee.
	Action taken by GPM in response to the Remuneration Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.

3.5 Taiwan Corporate Social Responsibility Implementation as Required by the Taiwan Financial Supervisory Commission：

Assessment Item		State of Operations			Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
Exercising Corporate Governance	Does the company set up a corporate social responsibility (CSR) policy or system and review the effectiveness of CSR actions?	√		GPM has established the "Code of Corporate Social Responsibility". Through the operations and management of the Corporate Sustainability Committee, the results of implementation shall be reported to the Board of Directors at least once every year.	None
	Does the company provide training on corporate social responsibility on a regular basis?	√		GPM holds periodic training on CSR and promotes the mission, vision, and core value of CSR in the employee meeting, such as new employee training.	None
	Does the company establish exclusively (or concurrently) dedicated senior executives authorized by the Board of Directors to be in charge of promoting the corporate social responsibility policy and reporting to the Board of Directors?	√		The Corporate Sustainability Committee is in charge of promoting CSR, which involves the execution of each item in the CSR plan, comprehensive planning of company-wide goals and sustainability strategy, integration of the CSR policy, vision, and mission into the daily operations, and reporting to the Board of Directors. GPM reported the results of implementation in the Board meeting on December 20, 2018. The state of implementation was also disclosed on the company website.	None
	Does the company establish a reasonable remuneration policy, integrate the employee performance evaluation system with its CSR policy, and establish an effective reward and disciplinary system?	√		According to Article 30-1 of the Articles of Incorporation, GPM shall distribute the employee remuneration of not less than 1% and not more than 12% of the profit for the current year. GPM also has a very competitive remuneration policy and takes employee retention as an important human resource policy. GPM conducts a survey of peer industry remuneration to set up a reasonable and competitive remuneration system. Based on the business performance and employees’ individual performance, GPM is able to differentiate and identify employees with special contributions and give them better bonuses. An employee incentive measure is also in place, such as research and development innovation reward, improvement proposal reward, special performance team reward, and outstanding employee reward, to sparkle employees' enthusiasm and spirit of teamwork and share their achievements. Meanwhile, GPM has also set up a reward and punishment system. If any violation comes to GPM's attention, corresponding action will be taken depending on the seriousness of the violation.	None
Fostering a Sustainable Environment	Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	√		In designing machines, GPM selects components with smaller power transmission to lighten the machine or selects power supply components with a higher efficient exchanger to achieve energy conservation. The water circulating system takes into account the source allocation of cooling water and commonly used filters. Reusing water in front and back processing can effectively re-filter wastewater produced by cleaners, saving up to 60% of water.	None
Fostering a Sustainable Environment	Does the company establish proper environmental management systems based on the characteristics of the	√		GPM has established the environmental safety and health and energy policies and taken into account the EICC Code of Conduct. For example, GPM requests suppliers to use conflict-free metal in products and	None

Assessment Item		State of Operations Y	N	Summary	Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
	industry?			select toxic-free materials in order to lower the usage of materials and reduce damage to the environment. When using materials, suppliers are required to be mindful for safety and energy saving design, reuse wastewater and lower the emission of greenhouse gas. When scrapping products, they must be easily disassembled; in addition, the extended function and reuse of products as well as recyclable design should be considered so as to reuse the resource and lessen the burden of landfill sites.	
	Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	√		In the face of climate change, GPM actively promotes and revises the measures for managing greenhouse gas reduction (including energy conservation and efficiency improvement), such as light management, energy management, and water resource management. **<u>Carbon reduction plan</u>** In carbon reduction management, GPM is dedicated to using energy-saving lights to reduce the consumption of fossil fuels. ● In 2018, GPM purchased 2,480,440 kWh of electricity, and CO2 emissions totaled 1,346,856 kg. ● The growth in revenue caused the consumption of electricity to increase by 189,280 kWh in 2018 compared with that in 2017. ● In 2018, GPM spent NT$500,000 installing energy-saving lights, resulting in a reduction of 60,265 kWh of electricity and 33,486 kg of CO2 emissions. **<u>Waste management</u>** GPM aims at "Garbage Reduction, Resource Recycling" and puts first priority on recycling and reusing waste. This measure can increase the effect of waste management and lower the environmental impact during the disposal of waste. In 2018, the volume of waste generation was reduced by 1,460 kg compared with that in 2017. GPM has disclosed the implementation of waste management on the company website.	None
Preserving Public Welfare	Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	√		GPM abides by the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees. The non-discrimination employment policy is also in place along with appropriate management policies. GPM provides labor insurance, National Health Insurance (NHI), life insurance, accident insurance, disease and cancer insurance and has set up a pension fund for employees.	None
Preserving Public Welfare	Does the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	√		There are five channels for employees to lodge a complaint: 1. Employee meeting (held regularly and questions raised on site) 2. Labor-management meeting (held regularly and questions raised by labor representatives) 3. EHS member meeting (held regularly and questions raised by EHS members) 4. Management review meeting (held regularly and questions raised by members) 5. President's Office mailbox (employees can raise questions via the system at any time. The identity	None

Assessment Item		State of Operations Y	N	Summary	Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
				of an employee who raises questions is kept confidential, and the response will be published on the Intranet.) Employees are able to make proposals to the management team through the above channels. Questions and suggestions raised by employees will be tracked and answered ad hoc.	
	Does the company provide a healthy and safe work environment and organize training on health and safety for employees on a regular basis?	√		GPM passed OHSAS18001:2007&TOSHMS certification in December 2017, providing employees a fair, reasonable, safe and healthy work environment. ● Smoking is prohibited in all areas of the offices and factories. GPM is also devoted to improving the work environment equipped with quality software and hardware. In 2018, GPM received several awards from regulators as follows: ➢Vitality Award in Health Promotion Administration Workplace Health Award. (Hsinchu Factory) ➢Two-star Award in Taichung City Government Excellent Corporation Happy Workplace Competition. (Taichung Factory) ➢Sports Administration iSports Certificate. ● GPM is equipped with AEDs and provides CPR and AED training for employees. ● GPM has established the "Measures for Prevention, Correction, and Punishment of Sexual Harassment at Workplace" to maintain gender equality and dignity at work and provide a friendly work environment.	
	Does the company provide a healthy and safe work environment and organize training on health and safety for employees on a regular basis?	√		● Every year, on-the-job safety and health training, emergency response exercises (such as emergency evacuation, fire drill, and response to chemical leakage), health forums and a series of health promotion activities are held in each factory on a regular basis in an attempt to create and maintain a healthy and safe work environment. ● In terms of the work environment, GPM continues to examine the operating environment biannually so as to evaluate personnel exposure and improve the work environment. Each year, GPM provides employees regular health examinations and requests new employees to have physical examinations (with the frequency and items better than the statutory requirements). For employees exposed to special hazards, some tailored items are added to their health examination. GPM has disclosed the implementation of waste management on the company website.	None
	Does the company set up a regular communication channel with employees and reasonably inform employees of any significant changes in the operations that may have an impact on them?	√		When there is any significant changes in the operations that may have an impact on the rights of employees, GPM uses formal communication channels, such as employee meeting or labor-management meeting, to negotiate with employees in the hope of providing the best work environment for all employees.	None
	Does the company provide employees career development and training programs?	√		GPM has created a benign environment for employees' careers and established career development and training programs. For more information on education and training, please refer to	None

Assessment Item		State of Operations			Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
				page 76 of the Annual Report.	
	Does the company establish any consumer protection mechanisms and grievance procedures for research and development, purchasing, production, operations, and services?	√		GPM follows the quality policy, "Quality First, Customer First, Better than Better, Value Creation", and provides professional customer service and an impeccable after-sales system. The on call direct line 0800-387-387 is in place. On the company website, there are E-mail addresses for the business center and customer service center and a transparent channel for filling a complaint for products and services. GPM strictly follows the "Rules for Personal Information Management" and shows respect to customers' privacy. GPM values marketing ethics and takes responsibility for its products and services. Unfair business conduct in any form is not allowed. The R&D, procurement, production, operations and service processes shall ensure the information transparency and safety. GPM shall formulate and publish the customer right policy and apply it to the business activities so as to prevent damage to consumer rights	
	Does the company establish any consumer protection mechanisms and grievance procedures for research and development, purchasing, production, operations, and services?	√		and help customers improve competitiveness and create additional value.	None
	Does the company advertise and label its products and services according to relevant regulations and international standards?	√		GPM's advertisement and labeling of products and servers shall adhere to related laws and international standards. There shall be no cheating, misleading, fraudulent acts that prejudice customers' trust and rights.	None
	Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnership?	√		According to the "Supplier Management Procedures", GPM has established a supplier evaluation system, and a review group will perform the review at the suppliers' places of business. Information, such as capacity, quality system and R&D capability, shall be obtained according to the "Supplier On-site Review Form". In the annual supplier meeting, in addition to delivering GPM's spirit of sustainability, GPM also grants awards to suppliers that excel in the dimensions of quality improvement, cost reduction, assured delivery, and sustainability. The review of suppliers shall take into account trading history, product quality and reputation for EHS and adjust the evaluation score accordingly. In 2018, GPM granted awards to 46 suppliers with outstanding performance. During the review, if any violations of the CSR policy are found to have a huge negative impact on the environment and society, the cooperation will be suspended or terminated immediately. GPM also assists suppliers in improving and enhancing product quality and adopting green procurement and environmental protection.	None
	Do the contracts between the company and its major suppliers include termination clauses which come into force once the	√		According to the "Supplier Management Procedures", during the period of cooperation, the suppliers are required to sign a non-disclosure agreement with GPM to protect the rights and	None

Assessment Item		State of Operations			Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
		Y	N	Summary	
	suppliers breach the CSR policy and cause an appreciable impact on the environment and society?			obligations of both parties. If anything damages GPM's interests, GPM reserves the right to take legal actions. The suppliers are required to sign the "Supplier CSR and Integrity Commitment". If there is any violation that imposes a significant negative effect on the environment and society, GPM can terminate or suspend a contract.	
Enhancing Information Disclosure Does the company disclose relevant and reliable information on its corporate social responsibility on its website and Market Observation Post System (MOPS)?		√		GPM has disclosed and updated the CSR policy and its implementation on the company website (http://www.gpmcorp.com.tw/zh-tw/csr/index) for the public's reference from time to time.	None

If the company has established the corporate social responsibility principles based on the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation:
GPM has established the "Code of Corporate Social Responsibility". There is no discrepancy between the Code and the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies. The "Code of Corporate Social Responsibility" can be downloaded from the company website or MOPS. With regard to the implementation of CSR, please refer to the Annual Report or the company website.

Other important information to facilitate better understanding of the company’s corporate social responsibility practices:

To reduce the waste of water resources, GPM has installed water-saving devices. In addition, GPM replaces the lights by electricity-saving models to lower the CO2 emissions.

1 .High-bay 400W mercury lamps were replaced with 120W LED (52 sets). This saved 54,490 kWh of electricity and reduced 30,187 kg of CO2 emissions annually.
2. T8 lights were replaced by T5 lights (50 sets). This saved 2,534 kWh of electricity and reduced 1,404 kg of CO2 emissions annually.
3. T8 lights were replaced by LED (60 sets). This saved 3,421 kWh of electricity and reduced 1,895 kg of CO2 emissions annually.
. GPM continued to promote office greening and increase the coverage of green plants in 2018 and won the Excellence Award in Taichung City Industrial Park Landscaping Evaluation.

Public welfare:
GPM is also a front runner when it comes to CSR and hosts CSR activities from time to time. Employees are encouraged to take part in philanthropic activities. The philanthropic activities in 2018 include the following:

Caring for schools in Hsinchu County's remote areas
1. Offered scholarship to Taoshan Elementary School/Garden Elementary School/ Wufeng Junior High School/ Chienshih Junior High School
   For students whose grades meet the standard, there will be NT$600 for each elementary school student and NT$1,000 for each junior high school student. The "Progression Award" is for those who doesn't meet the standard but have improved most in their grades. In two semesters, a total of 315 students benefited from the scholarship totaling NT$259,400.

Cooperating with non-profit organizations
1. Sponsored the National Tsing Hua University International Volunteer Group to Kenya to teach in cooperation with local schools with information resources and equipment.
2. Invited Wufong Junior High School Baseball Team to watch the baseball game.
3. Organized the philanthropic cultural and art gallery to display works of indigenous students and raise funds for the school choir to participate in the competition abroad.
4. Held a charity bazaar at the 40th anniversary celebration to sell 109 CDs of Huayuan Elementary School and 108 nut gift boxes. The fund raised totaled NT$216,500.
5. Invited school clubs in remote areas (Wufong Junior High School Drum Club and Jianshiguomin Junior High School Choir) to perform different skills.

Fundraising
1. Donated NT$50,000 to each charity and school at the 40th anniversary celebration. The total amount of donations reached NT$300,000. (Taoshan Elementary School/Huayuan Elementary School/Wufong Junior High School/Jianshiguomin Junior High School/Yu An Retarded Children's Home/Puren Foundation)
2. GPM hosted the "Donate Invoice, Devote to Public Welfare" activity and donated all the invoices gathered to public welfare organizations.
3. Made donations to the Genesis Social Welfare Foundation from time to time.

Assessment Item	State of Operations			Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
	Y	N	Summary	

Hosting campus and corporation visits
GPM hosted 23 college visits and gave a detailed introduction to optoelectronic equipment to facilitate students' understanding. GPM also assigned the personnel from the production line to guide them through the operating environment so as to promote industry-academia cooperation.

Promoting industry-academia cooperation

1. Sponsored the Chung Yuan Christian University Project Competition.
2. Intelligent Automation Equipment Creation Award:
   To encourage students of domestic universities/colleges to participate in the cross-domain design and production of intelligent automation and level up their skills in system design in line with the plan put out by the Ministry of Education, GPM hosted the Intelligent Automation Equipment Creation Award. National Taiwan University, National Chung Hsing University, National Kaohsiung First University of Science were the co-organizers and the Corporate Electronics Association of Taiwan was the organizer. GPM expected to see more young talents entering the intelligent manufacturing industry. Through learning and exchange of know-how and knowledge through observation, GPM incubated talents and design energy for the nation and promoted industry competitiveness.
3. Offering scholarships to the Department of Mechanical Engineering, Taiwan University
   By means of offering scholarships, GPM built up a talent pool and offered scholarships and job opportunities to students after graduation.
4. Promoting internship programs:
   GPM promoted the incubation of talents and built a stable access to talents through industry-academia cooperation. GPM used the resources of governmental industry-academia cooperation programs and provided internship for students to benefit from the characteristics and capabilities of young talents so as to invigorate and bring in new energy; meanwhile, GPM also found talents among short-term contract workers.

In 2018, GPM spent about NT$1.62 million on industry-academia cooperation programs.

While pursuing corporate sustainability, GPM also incorporates CSR into its business strategies and daily operations, including corporate governance, employee care, shareholders' rights, social care, and environmental protection. The CSR initiatives are included in the annual objectives or important tasks.

A clear statement shall be made if the corporate social responsibility reports are verified by external certification institutions:

N/A.

3.6 Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission：

Assessment Item		State of Operations Y	N	Summary	Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
Establishing Ethical Corporate Management Policy and Measures	Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding the implementation of such policy from the Board of Directors and management team?	√		GPM established the "Ethical Management Principles" and the "Ethical Conduct Standards" on June 17, 2015 to regulate corporate operations and employees' conduct. The promotion of the aforesaid rules is conducted from time to time. In the Board meeting dated December 20, 2018, GPM presented the implementation of ethical corporate management, and also disclosed it on the company website.	None
	Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide operating procedures, guidelines, consequence of violations, and complaint procedures in such policies?	√		In the "Ethical Management Principles", it indicates the preventative measures for misconduct, such as bribery and taking bribes, giving illegal political donations, offering or accepting unreasonable presents, hospitality or other improper benefits, misappropriation of trade secrets and infringement of intellectual property rights. Employees are required to sign the "Non-disclosure Agreement and Consent to Computer Data Access" to avoid misappropriation of trade secrets.	None
	Does the company establish appropriate preventive measures for the business activities prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and any other such activities associated with high risk of unethical conduct?	√		In addition to the "Ethical Management Principles", GPM has established the "Procedures for Acquisition or Disposal of Assets", the "Procedures for Making of Endorsements/Guarantees", the "Procedures for Lending of Funds", and the "Procedures for Related Party Transactions".	None
Implementing Ethical Corporate Management	Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics-related clauses in the business contracts?	√		GPM adopts a fair and transparent way of doing business. Before engaging in a business activity, GPM carefully evaluates the integrity of its business partners. Before signing a business contract with a transaction counterparty, the Legal Affairs Department reviews the contract terms to avoid doing business with parties with bad records. For training on ethical corporate management, please refer to page 44 of the Annual Report. The suppliers are required to sign the "Supplier CSR and Integrity Commitment". If there is any violation of the commitment, the suppliers are subject to indemnity or fines for inappropriate interests; in addition, GPM is entitled to withdraw, terminate or cancel transactions between with transaction counterparties.	None
	Does the company set up a unit dedicated to or tasked with promoting the company's ethical standards and reporting directly to the Board of Directors with periodical updates on relevant matters?	√		The Corporate Sustainability Committee is in charge of affairs relating to the ethical corporate management policy; in addition, the Auditing Office reports directly to the Board of Director and is in charge of the audits regarding any violations of the ethical corporate management policy. If there is a material violation of the ethical corporate	None

Assessment Item		State of Operations: Y	N	Summary	Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
				management policy, a report to the Board of Directors is necessary in accordance with related laws and operating procedures. The implementation of ethical corporate management is reported to the Board of Directors every year (in the fourth quarter).	
	Does the company establish policies to prevent conflict of interests, provide appropriate communication channels, and implement such policies properly?	√		GPM's internal rules and procedures are available on the Intranet. The notification will be sent to the staff upon amendment. For the public's reference, there is a stakeholder section on the company website at http://www.gpmcorp.com.tw/zh-tw/csr/index/19.	None
Implementing Ethical Corporate Management	To implement relevant policies on ethical conduct, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPAs periodically?	√		GPM has set up an internal control system, enforcement rules for internal audit, an accounting system, and related management rules. There is no irregularity in their implementation. Internal audits are conducted in accordance with the annual audit plan and made into audit reports. An audit report shall be submitted to each independent director no later than the month following the completion of the audit report. Periodic presentation of the audit results shall be made to the Audit Committee and the Board of Directors.	None
	Does the company provide internal and external training programs for ethical corporate management on a regular basis?	√		GPM hosts periodical training on ethical corporate management. In 2018, internal and external training courses on ethical corporate management, including ethical corporate management regulations, legal practices, advanced financial management, insider trading and disgorgement regulations, accounting system and internal control, were organized, and the training hours totaled 741. Related operating procedures and regulations are also available on the Intranet for employees' reference.	None
Implementing grievance procedures	Does the company establish the specific grievance and reward procedures, set up conveniently accessible grievance channels, and designate responsible employees to handle grievances received?	√		GPM has established the "Handling Procedures for Reporting Illegal, Unmoral, or Unethical Behavior" and sets up reporting and grievance channels. From time to time, GPM also reviews the Handling Procedure and makes necessary amendments. With these efficient communication channels, GPM may respond to problems in time and assign designated persons in charge of the grievances received.	None
	Does the company establish the standard operating procedures for investigating grievances and relevant protective mechanisms?	√		GPM has established the whistle-blowing guidelines, and set up the "whistle-blowing channel for unethical conduct" and a whistle-blowing mailbox. The whistle-blower's identity and whistle-blowing details are kept confidential, and e-mail will be used to reply the results of investigations.	None
	Does the company adopt proper measures to prevent a complainant from retaliation for his/her lodging a complaint?	√		GPM takes full responsibility of keeping whistle-blowers confidential to prevent them from inappropriate treatment for whistle-blowing cases.	None
Strengthening information disclosure Does the company disclose its guidelines on business ethics as well as information on the implementation of such guidelines on its website and MOPS?		√		The "Ethical Management Principles" has been uploaded to MOPS and disclosed on the company website at http://www.gpmcorp.com.tw/zh-tw/investor/index/64.	None
If the company has stipulated its own ethical management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please elaborate how they work and their departure from the official regulation: GPM complies with the domestic legal requirements and asks employees to abide by internal regulations on the basis of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" to realize ethical					

Assessment Item	State of Operations			Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for Departure
	Y	N	Summary	
management.				

Other important information to facilitate better understanding of ethical corporate management (e.g. amendment to the Ethical Management Principles):

1. GPM has established the "Procedures for Internal Material Information and Prevention of Insider Trading". Directors, managers, the persons identified in Paragraph 1, Article 27 of the Company Act and other insiders who have access to internal material information due to their identity, occupation, or control over GPM shall perform the duty of care and fiduciary duty in doing business as a good administrator and sign a non-disclosure agreement. Directors, managers, and employees who have access to internal material information shall not disclose such internal material information to others.
2. PwC Taiwan is the accounting firm that provides attestation service for GPM. The CPAs do not take the role of directors and are both professional and independent. The Audit Committee and the Board of Directors conduct the annual review regarding the independence of the CPAs and obtain their "Statement of Independence". The CPAs periodically audit major business cycles and internal controls and provide suggestions for internal controls and accounting treatment.
3. The suppliers are required to sign the "Supplier CSR and Integrity Commitment", which regulates the suppliers to fulfill their commitment in terms of labor conditions, ethical practices and work environment, such as anti-discrimination, ban on child labor, high standards for integrity, respect for and protection of customer information and intellectual property rights, use of conflict-free metal in products or parts, and procedures and standards for waste management. If the commitment is violated, the suppliers are subject to indemnity or fines for inappropriate interests; in addition, GPM is entitled to withdraw, terminate or cancel transactions between transaction counterparties.

3.7 More detailed information on corporate governance guidelines and regulations:

The Company established GPM's "Corporate Governance Practice", please go to MOPS (http://mops.twse.com.tw/mops/web/index) or the Company's website (http://172.16.1.182/zh-tw/investor/index/64)

3.8 Other Important Corporate Governance Information

The Company established "Handling of Internal Material Information and Prevention of Insider Trading Management Procedure" as a reference for handling of material information and disclosure. Depending on situation, the above procedure is subject to review from time to time in matching current laws and management needs. This procedure is also available in the internal document management system for managers and employees.

3.9 Internal Control System Execution Status

3.9.1 Statement of Internal Control System

Gallant Precision Machining Co., Ltd.

Statement of Internal Control System

Date: March 26, 2019

Gallant Precision Machining Co., Ltd. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2018, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.

2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms.
   The company will take immediate corrective actions once any shortcomings are identified.

3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the "Criteria for the Establishment of Internal Control Systems of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.

4. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.

5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.

6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.

7. This statement of declaration has been approved by the Board on March 26, 2019 with all Directors in session under unanimous consent.

Gallant Precision Machining Co., Ltd.

Nick Yeh
Chairman

Jason Chen
President

3.9.2 If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report:

None.

3.10 Reprimand on the Company and its Staff in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction:

None.

3.11. Major Resolutions of Shareholders′ Meeting and Board Meetings

Meeting Title	Meeting Date	Important Resolutions and Implementation
Shareholders' Meeting	2018.06.22	1. Adoption of the 2017 Business Report and Financial Statements. 2. Adoption of the distribution of 2017 earnings. 3. The Board of Directors on June 22, 2018 had set the date of July 16, 2018 as the ex-dividend date, with the cash dividend (NT$1.217 per share) of the profit distribution to be distributed to shareholders on August 07, 2018. There is no difference between the amount of distribution and the amount approved by the general shareholders' meeting.

Name of meeting	Date of meeting	Important Resolutions
Board of Directors	2018/01/22	1. Approval of 2018 Official Year End Bonus Distribution.
Board of Directors	2018/03/27	1. Approval of 2017 examination on effectiveness of internal control system and Statement of Internal Control System. 2. Approval of the distribution of employees' and directors' remuneration of 2017. 3. Approval of the 2017 Business Report and Financial statements. 4. Approval of the proposal for the distribution of 2017 earnings. 5. Approval of matters related to the general shareholders' meeting of 2018, including related matters in receiving shareholders' proposals and nominations. 6. Approval of the renewal of loan commitments to financial institutions. 7. Approval of the endorsement of the guarantee through the Company to its subsidiaries
Board of Directors	2018/05/07	1. Approval of the amendment of 2018 Annual General Meeting agenda. 2. Approval of the 2017 allocation of bonus to directors and high-level managers.
Board of Directors	2018/06/22	1. Approval of adopting related matters to the 2018 cash dividends record date. 2. Approval of the 2018 senior management salary adjustment.
Board of Directors	2018/08/09	1. Approval to the Company’s 2018 mid-term budget amendment. 2. Approval of increasing or renewing the loan commitments through financial institutions. 3. Approval of the Company’s endorsement/guarantee for subsidiaries to renew or change their limits.
Board of Directors	2018.11.05	1. Approval of the amendment of the company’s internal control system.
Board of Directors	2018.12.20	1. Approval of 2019 internal audit plan. 2. Approval of the evaluation of current CPAs' independence and competence 3. Approval of 2018 annual budget. 4. Approval of endorsements/guarantees for the affiliates. 5. Approval of the promotion of Senior Executive Assistant Huang, Tzu-Ying to Assistant Vice President & Senior Executive.
Board of Directors	2019.01.08	1. Approval of the distribution of 2018 year-end bonus for senior executives. 2. Approval of the amendment to the "Articles of Incorporation". 3. Approval of the amendment to the "Regulations Governing Election of Directors". 4. Approval of the amendment to the "Procedures for Acquisition or Disposal of Assets".
Board of Directors	2019.03.26.	1. Approval of 2018 examination on effectiveness of internal control system and Statement of Internal Control System. 2. Approval of the amendment to "Procedures for Lending Funds to Other Parties. " 3. Approval of the amendment to " Procedures for Endorsements & Guarantees." 4. Approval of the distribution of employees' and directors' remuneration of 2018.

		5. Approval of the 2018 Business Report and Financial statements 6. Approval of the proposal for the distribution of 2018 earnings 7. Approval of matters related to the general shareholders' meeting of 2019, including related matters in receiving shareholders' proposals and nominations. 8. Approval of the renewal of loan commitments to financial institutions

3.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors:

None.

3.13 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D during the 2017 Calendar Year and as of the Date of this Annual Report: None.

4. Information Regarding GPM's Independent Auditors Report

4.1 Audit Fees

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					CPA's Audit Period	Remark
			System Design	Company Registration	Human Resource	Others (Note 1)	Subtotal		
Pricewaterhouse Coopers Taiwan	Kwok-ah Tsang LI TIEN YI	2,990				240	240	2018.01.01~ 2018.12.31	

Note 1: Audit fee refers to service fee paid to external auditor regarding the audit and review of financial statement, review of financial forecast and tax compliance audit.

Note 2: "Other" means consultation or study on Corporate Act or Securities and Exchange Act and integrated income tax system related service.

4.2. Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: None.

4.3 Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.

4.4 Audit fee reduced more than 15% year over year: None.

4.5 CPA's information

4.5.1 Former CPAs

Date of Change	January 1, 2018		
Reasons and Explanation of Changes	Due to its internal personal changes, PricewaterhouseCoopers Taiwan updated the audit partners for GPM from LI TIEN YI and CHENG YA HUE to Kwok-wah tsang and LI TIEN YI in 2018.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client / Status	CPA	Consignor
	Appointment terminated automatically	Not available	
	Appointment rejected (discontinued)		

The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)	None		
Is there any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	V	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

4.5.2 Successor CPAs

Accounting Firm	PricewaterhouseCoopers Taiwan
Name of CPA	Kwok-wah tsan、LI TIEN YI
Date of Engagement	January 1, 2018
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not available
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	Not available

4.5.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: None.

5. Changes in Shareholding of Directors, Managers and Major Shareholders

GPM's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations did not Hold any Positions within GPM's Independent Audit Firm or Its Affiliates in the Most Recent Year.

6. Net Changes in Shareholding

6.1 Net Change in shareholdings and in shares pledged by directors, supervisors, anagement, and shareholders holding more than a 10% share in the Company

Unit: Shares

Title	Name	2018		Jan. 1 to March 31, 2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Nick Yeh	69,024	0	0	0
Director/ President	Jason Chen	59,989	0	0	0
Director	Hsu, Hung-Ming	0	0	0	0

Director	C SUN MFG. LTD.	11,992,000	0	775,000	0
	Representative: Frank Liang	0	0	0	0
Independent Director	Chia-chin Tong	0	0	0	0
Independent Director	William Hung	0	0	0	0
Independent Director	Bill Chen	0	0	0	0
Deputy President	Mufa Chien	22,965	0	0	
Deputy President	H.M. Lee	25,489	0	0	0
Deputy President	Tu-cheng Wang	25,981	0	0	0
Associate Vice President	Roger Lin	17,077	0	0	0
Associate Vice President	Chen- Shun Hsu	17,712	0	(17,000)	0
Associate Vice President	Angela Huang	0	0	0	0
Chief Financial Officer	Sandy Ning	26,796	0	0	0

6.2 Stock Trade with Related Party：None.

6.3 Stock Pledge with Related Party：None.

7. Top Ten Shareholders who are related parties to each other

As of July 16, 2018. Unit: Shares / %

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Re-marks
	Shares	%	Shares	%	Shares	%	Name	Relation	
C SUN MFG. LTD.	25,695,827	15.56%	—	—	—	—	None	None	
C SUN MFG. LTD. Representative: Frank Liang	0	0%	0	0%	0	0%	None	None	
Standard Chartered Hosted by Credit Suisse Securities - Renaissance Long-Term Sales	5,475,000	3.32%	—	—	—	—	None	None	
Mega International Commercial Bank	4,278,118	2.59%	—	—	—	—	None	None	
Micronics Japan CO., LTD.	2,712,000	1.64%	—	—	—	—	None	None	
CTBC Bank Employee Stock Ownership Trust Account of Gallant Precision Machining Co., Ltd	1,890,946	1.15%	—	—	—	—	None	None	
Nick Yeh	1,756,793	1.06%	0	0%	0	0%	None	None	
Yi-Wei Investment Co.	1,744,000	1.06%	—	—	—	—	None	None	
HSBC Bank Hosted UBS Co., Ltd.	1,733,000	1.05%	—	—	—	—	None	None	
Taiwan Enterprise Bank is protected by Baoquyi Store Market Securities Investment Fund	1,600,000	0.97%	—	—	—	—	None	None	
Capital Marathon Fund	1,500,000	0.91%	—	—	—	—	None	None	

8. Long-Term Investment Ownership

As of December 31, 2018. Unit: Shares / %

Long-Term Investments	Investments by GPM (1)		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managers of GPM (2)		Total Investment (1) + (2)	
	Shares	Portion	Shares	Portion	Shares	Portion
Gallant-Rapid Corporation Limited	13,560,000	100	0	0	13,560,000	100
Gallant Precision Machinery (BVI) Ltd.	20,289,000	100	0	0	20,289,000	100
APEX-I INTERNATIONAL CO., LTD.	6,600,000	100	0	0	6,600,000	100
Chun Zhun Enterprise Corporation	3,576,000	100	0	0	3,576,000	100
Gallant Micro. Machining Co., LTD.	16,171,750	57.19	2,150,000	7.60	18,321,750	64.79
Sunengine Co., LTD.	7,568,259	37.84	2,063,080	10.32	9,631,339	48.16

IV. Capital and Shares

1. Capital and Shares

1.1 Capitalization

As of March 31, 2019

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
06/2015	10	250,000,000	2,500,000,000	165,136,144	1,651,361,440	Capital Reduction and Cancellation of Treasury Shares: 50,000,000	None	06/29/2015 Chu-Shang-Tzu No. 1040022199

1.2 Capital and Shares

Unit: Share

As of March 31, 2019

Type of Stock	Authorized Share Capital			Remark
	Outstanding	Un-Issued Shares	Total	
Common Stock	165,136,144	84,863,856	250,000,000	Listed on Taipei Exchange.

Shelf Registration: None.

1.3 Composition of Shareholders

Common Share

As of July 16, 2018 (last record date)

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	—	1	58	25,869	63	25,991
Shareholding	—	4,278,118	36,811,348	104,030,338	20,016,340	165,136,144
Holding Percentage (%)	—	2.591%	22.292%	62.996%	12.121%	100%

1.4 Distribution Profile of Share Ownership

1.4.1 Common Share

As of July 16 ,2018 (last record date) ；Unit: shares / %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	14,184	1,679,052	1.017
1,000 ~ 5,000	8,424	19,285,827	11.679
5,001 ~ 10,000	1,665	13,518,271	8.186
10,001 ~ 15,000	507	6,549,522	3.966
15,001 ~ 20,000	389	7,152,387	4.331
20,001 ~ 30,000	259	6,692,127	4.052
30,001 ~ 40,000	146	5,297,616	3.208
40,001 ~ 50,000	107	4,969,347	3.009
50,001 ~ 100,000	156	11,563,531	7.002
100,001 ~ 200,000	82	11,611,583	7.032
200,001 ~ 400,000	40	11,367,358	6.884
400,001 ~ 600,000	9	4,825,218	2.922
600,001 ~ 800,000	3	2,081,000	1.26
800,001 ~ 1,000,000	5	4,649,000	2.815
Over 1,000,001	15	53,894,305	32.637
Total	25,991	165,136,144	100

1.4.2 Preferred Share: None.

1.5 Major Shareholders

Common Share As of July 16 ,2018 (last record date) ；Unit: shares / %

Top 10 Shareholders	Total Shares Owned	Ownership (%)
C SUN MFG. LTD.	25,695,827	15.56%
Standard Chartered Hosted by Credit Suisse Securities - Renaissance Long-Term Sales	5,475,000	3.315%
Mega International Commercial Bank	4,278,118	2.59%
Micronics Japan CO., LTD.	2,712,000	1.642%
CTBC Bank Employee Stock Ownership Trust Account of Gallant Precision Machining Co., Ltd	1,890,946	1.145%
Nick Yeh	1,756,793	1.063%
Yi-Wei Investment Co.	1,744,000	1.056%
HSBC Bank Hosted UBS Co., Ltd.	1,733,000	1.049%
Taiwan Enterprise Bank is protected by Baoquyi Store Market Securities Investment Fund	1,600,000	0.968%
Capital Marathon Fund	1,500,000	0.908%

1.6 Market Price, Net Worth, Earnings, Dividends per Common Share

Unit: NT$ / Thousand shares

<table>
<tr><th colspan="3">Item</th><th>2017</th><th>2018</th><th>Jan. 1 to March 31, 2019</th></tr>
<tr><td rowspan="3">Market Price Per Share (Note1)</td><td colspan="2">Highest Market Price</td><td>30.50</td><td>31.75</td><td>25.95</td></tr>
<tr><td colspan="2">Lowest Market Price</td><td>19.60</td><td>19.85</td><td>20.65</td></tr>
<tr><td colspan="2">Average Market Price</td><td>24.30</td><td>27.09</td><td>23.91</td></tr>
<tr><td rowspan="2">Net Worth Per Share</td><td colspan="2">Before Distribution</td><td>13.43</td><td>14.64</td><td>—</td></tr>
<tr><td colspan="2">After Distribution</td><td>12.21</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Earnings Per Share</td><td colspan="2">Weighted Average Shares (thousand shares)</td><td>166,476</td><td>165,136</td><td>165,136</td></tr>
<tr><td rowspan="2">Diluted Earnings Per Share</td><td>Not-Adjusted</td><td>1.21</td><td>2.24</td><td>—</td></tr>
<tr><td>Adjusted</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="4">Dividends Per Share</td><td colspan="2">Cash Dividends</td><td>1.217</td><td>(Note 5)</td><td>—</td></tr>
<tr><td rowspan="2">Stock Dividend</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividend</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price/Earnings Ratio (Note 2)</td><td>20.08</td><td>12.09</td><td>—</td></tr>
<tr><td colspan="2">Price/Dividend Ratio (Note 3)</td><td>19.97</td><td>20.84</td><td>—</td></tr>
<tr><td colspan="2">Cash Dividend Yield (Note 4)</td><td>5.01%</td><td>4.80</td><td>—</td></tr>
</table>

Note 1: Referred to TWSE website

Note 2: Price/Earnings Ratio = Average Market Price/Diluted Earnings Per Share

Note 3: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share

Note 4: Cash Dividend Yield = Cash Dividends Per Share/Average Market Price

Note 5: Pending for shareholders' approval

1.7 Dividend Policy and Distribution of Earnings

1.7.1 Dividend Policy：

Article 30-1 of the Company's Articles of Incorporation:

No lower than 1% and no higher than 12% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any).

The profit distributable as employees' compensation can be in the form of shares or in cash. The recipient can include the qualified employees from subsidiaries.

The profit for the year referred in the first item means earnings before tax and employees' and Directors' compensation.

Article 31 of the Company's Articles of Incorporation:

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 business requirements and the provisions of the laws and regulations, appropriate or reverse a special surplus reserve. The Board of Directors shall draft is authorized to draft an appropriation plan for a resolution in the Shareholders' Meeting.

The ratio for cash dividend shall not lower than 10% of total distribution.

Articles of Incorporation of the Company does not clearly stated the dividend distribution ratio. However, taking into account the capital requirement, long-term financial planning and shareholders' interest, Board of Directors is authorized to draft an appropriation plan and submit the plan for a

resolution in the Shareholders' Meeting.
The distribution of dividend is based on the principal of distributing cash dividend and the ratio for cash dividend shall not lower than 10% of total distribution. From 2014 to 2018, the cash dividend distribution to income tax was between 58% and 100% (excluding distribution of capital reserve), the cash dividend distribution including distribution of capital reserve to net income was between 58% and 114%. There were no stock dividend. According to Articles of Incorporation, the ratio for cash dividend shall not less than 10% of total distribution.
The status of Shareholders' Meeting on approving the proposal for the distribution of 2018 earnings: Board Meeting dated March 26, 2019 has passed the proposal for the distribution of 2018 earnings as table below. Each share could receive a cash dividend of NT$1.3. Upon the resolution approved by Shareholders' Meeting dated June 25, 2019, the Company will proceed with following works.

2018 Earnings Distribution Proposal:

Unit: NT$

Cash Dividends to Common Share Holders (NT$1.3 per share)	214,676,988

1.7.2 Description shall be given when expecting a major change in dividend policy:

Not applicable.

1.8 Impact to 2018 Business Performance and EPS Resulting from Stock Dividend Distribution:

Not applicable.

1.9 Compensation to Directors and Profit Sharing Bonus to Employees：

1.9.1 Employees’ Compensation and Remuneration to Directors and Supervisors as Stated in the Articles of Incorporation

Article 30-1 of the Company’s Articles of Incorporation:

No lower than 1% and no higher than 12% of profit of the current year is distributable as employees’ compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, the Company’s accumulated losses shall have been covered (if any).
The profit distributable as employees’ compensation can be in the form of shares or in cash. The recipient can include the qualified employees from subsidiaries.
The profit for the year referred to in the first paragraph means earnings before tax and employees' and Directors' compensation.

1.9.2 The estimated employees' compensation and remuneration to Directors and Supervisors, the calculation basis for remuneration to employees, Directors and Supervisors in the form of stocks, and Accounting treatment for any gap between estimated amounts and actual distribution resolved by the Board of Directors:

The Company accrued employees’ compensation and remuneration to Directors and Supervisors based on profit of current year minus accumulated loss while the remunerations to directors and supervisors were estimated based on GPM’s Articles of Incorporation. The estimated employees’ bonuses and remunerations to directors and supervisors were booked as operating cost or operating expense. If stock bonuses are resolved for distribution to employees, the number of shares distributed is determined by dividing the amount of bonuses by the closing price of shares on the day preceding the shareholders’ meeting. If there is difference between estimation and actual distribution, it will be treated as change of accounting estimate. The adjustment will be made at the year of distribution.

1.9.3. Profit Distribution of Year 2018 Approved in Board of Directors Meeting for Employee Bonus and Directors' Remuneration：

1. 2018 Directors' Compensation and Employees' Profit Sharing Bonus

Distribution Items	Board Resolution (March 26, 2019) Amount (NT$)
Directors' Compensation (Cash)	9,567,152
Employee's Profit Sharing Bonus (Cash)	54,418,217
Total	63,985,369

。

2. Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings：Not applicable.

1.9.4 2017 Directors' Compensation and Employees' Profit Sharing Bonus

Distribution Items	Amount (NT$)
Directors' Compensation (Cash)	4,832,236
Employee's Profit Sharing Bonus (Cash)	24,136,561
Total	28,968,797

1.9.5 Buyback of Common Stock: None.

2. Issuance of Corporate Bonds：None.

3. Preferred Shares：None.

4. Status of GDR/ADR：None.

5. Status of Employee Stock Option Plan：

5.1 Issuance of Employee Stock Options:

Not applicable.

5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees:

Not applicable.

6.Status of Employee Restricted Stock：

GPM did not issue employee restricted stock in 2018, nor as of the date of this annual report.

6.1 Status of Employee Restricted Stock:

Not applicable.

6.2 Employee Restricted Stock Granted to Management Team and to Top 10 Employees:

Not applicable.

7. Status of New Share Issuance in Connection with Mergers and Acquisitions：

GPM neither issued new shares in connection with mergers or acquisitions during 2017, nor as of the date of this annual report.

8. Financing Plans and Implementation: Not applicable.

V. Operational Highlights

1.Business Activities

1.1 Business Scope

- CQ01010 Die Manufacturing (restricted to area outside the Science Park)
- F106030 Wholesale of Die (restricted to area outside the Science Park)
- F113010 Wholesale of Machinery (restricted to area outside the Science Park)
- CC01080 Electronic Parts and Components Manufacturing (restricted to area outside the Science Park)
- F401010 International Trade
- CB01010 Machinery and Equipment Manufacturing
- CE01010 Precision Instruments Manufacturing
- CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
- CF01011 Medical Materials and Equipment Manufacturing
- F208031 Retail sale of Medical Equipments
- F108031 Wholesale of Drugs, Medical Goods
- D101060 Self-usage power generation equipment utilizing renewable energy Industry
- E601010 Electric Appliance Construction
- E601020 Electric Appliance Installation
- EZ05010 Apparatus Installation Construction

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

1.2 Revenue Mix(2018)

Product	Operating Percentage (%)
Display Process Equipment	71.86%
Semiconductor Process Equipment	19.41%
Intelligent Automation Equipment	0.50%
Others	8.23%
Total	100.00%

1.3 Products Currently Offered by GPM

(1) FT-LCD / OLED / Flexible OLED Display Process Equipment:
  A. Array Process Equipment
    -TEG Prober

-Array Tester
-Array Cleaner
-Array Wet etching

B. Cell Process Equipment
-Edge Grinding Machine
-Cell Tester
-Polarizer Attachment machine
-In- process Cleaner
-Thinned glass surface defect inspection equipment

C. Module Process Equipment
-Edge /Plasma Cleaner
-Excimer UV Cleaner

D. Inspection Process Equipment
-Panel Surface Inspection
-Burr Checker System

E. Automation Equipment
-G4.5 / G5 / G6 / G7.5 / G8.5/G10.5 Cassette Station
-Loader / Unlo
ader & Automation for Cell Area
-Dense Packer / Unpacker C/V, Buffer etc. Automation for Production Line

(2) IC Packaging / Substrate Equipment：
A. Consumer/Driver IC Chip Sorter
B. IC chip multisides inspection sorter
C. IC/LED Die Bonder
D. CMOS image sensor
E. FPC Trim / Form
F. Heatsink mounting machine
G. Auto Molding System
H. Trim / Form System
I. Laser Mark System
J. Substrate Punch System
K. IC Substrate/ Pane Fan-out Planarization Equipment
L. IC Packaging Strip Grinder Equipment

(3) IC Packaging Back End Precision Mold
A. Mold Chase
B. Die Set /kit

(4) Semiconductor Automation Machine
A. Tray Exchange Machine
B. Automated Optical Inspection Machine

(5) Intelligent Automation Service
A. AGV Logistic Automtion
B. Process Automation Equipment
C. Solar Cell Automation Handling System
D. Lithium iron battery core seal welding and Lamination device

(6) Biomedical equipment
A. Complete blood microfluidic immune analyzer

1.4 New Product (Service) in Planning

The GPM Group are planning to develop the following new product (service):

R&D Item (Processing Technology)	Names of machine to be developed
	● Picosecond Imaging Circuit Analysis，PICA.
	● Emission Microscopy，EMMI.
	● G10.5 Wet Etching.
	● 12”Wafer 2D/3D Defect Inspection & Metrology.
	● High precision Grinding Machine for Fan-out packaging.
	● Panel Temporary Bonding.
	● 3D on-line Processing system.
	● AGV with visual Simultaneous Localization and Mapping.
	● Automatic loading and unloading AGV for 300mm wafer cassette.
	● Array Probe TEG Active instant background noise reduction Low Leakage System Development.
	● Warehouse Automated Guided Vehicle positioning System.
	● Dual Spindle Strip Grinding.
	● Intelligent Diagnosis Maintenance System.
	● Mobile Robot.
	● New IC marking Machine.
	● Flip Chip Bonder.
	● Multi-axis control table(combine laser & vision).
	● Fully Auto Panel Molding System.
	● Semi Auto IPM Motor Molding.
	● DAF Die Bonde.
	● Micro LED Die Transfer machine.
	● 6S Inspection Chip Sorter.
	● 3D IC/Fan out bonder.

1.5 Industry Outlook

1. Industry Status and Future Development: The Company is the process and testing automotive equipment manufacturer in electronic industry. In 2019, the Company will focus in FPD industry, semiconductor industry, intelligent automation industry and IVD technology in biomedical industry. Details are as follows:

(1) FPD equipment industry

According to DIGITIMES Research's forecast, the global production capacity for large-size (9" or above) LCDs will reach 265 million square meters in 2019, showing an annual increase of 10.6%. It is expected that the global production capacity for large-size LCDs will continue to increase to 289 million square meters in 2020, showing an annual increase of 9%.

As global demand for LCDs from 2018 to 2020 is calculated by area, the annual increase is between 6% and 7% only. It will have a depressing effect on the price. The global production capacity for large-size LCDs increased significantly in 2018, which was the main reason for oversupply.

The growth of global shipments of LCD TV panels will benefit from Tokyo 2020; however, global shipments of LCD TV panels may decline slightly from 2021 to 2023 mainly due to the rise of OLED TV. After 2021, OLED TV panels will replace more than 10 million

LCD TV panels every year.

Although the shipments of LCD TV panels will not increase significantly from 2019 to 2023, the average size of LCD TV is expected to increase by 0.7"~1", which is beneficial to the compound annual growth rate (CAGR) of LCD TV panel shipments by area at 5% to 6% from 2019 to 2023.

It is estimated that the shipments of other types of applications (including automotive panels, digital signage, industrial applications, medical applications, ATMs, large game consoles, and point-of-sale checkout systems) will reach 40.94 million LCD TV panels in 2023, an increase of 87% from 2017. LCD TV panels will be the field of focus in the next five years.

In addition, Taiwan's top two panel manufacturers began to develop Micro LED technology. At the beginning, they mainly focused on large-size panels and public displays relating to e-sports, and will continue to develop other applications.

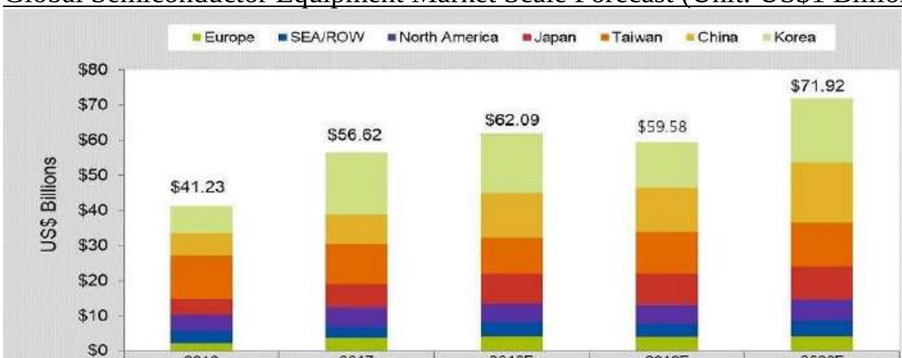
(2) Semiconductor Equipment Industry

AI, IoT, 5G, high-speed (performance) computing, automotive electronics, folding mobile phones and other semiconductors will be ubiquitous. New technology development is in full swing. As long as the China-US trade war slows down in the next few months, market confidence will recover. The semiconductor market in the second half of 2019 is expected to gain a full recovery. Due to the market recovery, leading companies have increased their capital expenditures, leading to the growth in the sales of semiconductor equipment.

According to the data published at the end of 2018 by Semiconductor Equipment and Materials International (SEMI), the sales volume of global semiconductor equipment in 2018 was expected to increase by 9.7% (US$62.1 billion), breaking the record of US$56.6 billion set in 2017. The semiconductor equipment market was expected to decline slightly by 4% in 2019, but will grow by 20.7% in 2020, reaching a record high of US$71.9 billion.

Looking forward to 2019, SEMI predicted that South Korea, China, and Taiwan would maintain top three in order in the semiconductor equipment market. The sales volume of semiconductor equipment in South Korea, China, and Taiwan was estimated at US$13.2 billion, US$12.5 billion, and US$11.81 billion, respectively. It was estimated that only Taiwan, Japan, and North America would show growth in 2019. (See the figure below.)

Global Semiconductor Equipment Market Scale Forecast (Unit: US$1 Billion)



	2016	2017	2018E	2019F	2020F
Korea	7.69	17.95	17.11	13.20	18.31
China	6.46	8.23	12.82	12.54	17.06
Taiwan	12.23	11.49	10.11	11.81	12.49
Japan	4.63	6.49	8.60	8.89	9.47
North America	4.49	5.59	5.29	5.36	6.02
SEA/ROW	3.55	3.20	3.96	3.82	4.35
Europe	2.16	3.67	4.19	3.96	4.22

Source: SEMI, Semiconductor Equipment Forecast (December 2018)

In recent years, the large-scale growth of network equipment and the surge in demand for data processing, computing power, and data storage have driven the maturity of technologies, such as IoT, AI, and high-performance computing. The gradual popularization of industrial smart manufacturing, automotive electronics, and smart home applications has also driven the semiconductor industry to expand continuously.

In the coming five years from 2017, the most important semiconductor applications are AI, IoT and 5G. Now, they have gradually moved toward consumer applications, directly affecting the growth of demand for semiconductors. With the innovation and progress of semiconductor technology, the prospects of the industry are brightening in the long run.

In terms of fab investments and equipment, demand for memory chips showed a "super cycle" from 2017 to 2018, where DRAM and 3D NAND, whether manufactured by new factories or technology transfer, reported a remarkable growth, resulting in stable investments in equipment of the world's leading fabs. However, it is expected that this wave of "super cycle" will end in 2019, and demand for memory chips will become weak, with expenditures slowing down in the short run.

The global economy boomed in 2017; leading foundries TSMC and ASE in the packaging and testing industry invested in advanced packaging technology and expanded their capacity, pushing up the investment in equipment and capital expenditures and making contribution to the revenue of equipment companies. In 2017, domestic demand for semiconductor equipment reached NT$344.7 billion, and the output value reached NT$82.9 billion, accounting for 24% of total demand.

In 2018, MII-ITIS estimated that overall output value of semiconductor equipment in Taiwan would be 4.9% (NT$87 billion), accounting for 27.2% of total demand. Due to the continuous expansion of semiconductor factories in Taiwan and Mainland China, the output value of semiconductor equipment in Taiwan rose.

Semiconductor equipment manufacturers in Taiwan mainly focus on packaging equipment. The semiconductor industry has been investing in advanced packaging, which creates opportunities for the equipment industry in the next three to five years.

According to Yole, global demand for advanced packaging equipment in 2018 was about US$2.15 billion, of which demand in Taiwan reached about US$750 million. Yole estimated that global demand for advanced packaging equipment in 2021 would grow to US$3.3 billion, and that in Taiwan would reach US$1.17 billion, with an annual growth rate of about 19%.

The top three needs for advanced packaging equipment account for about 38%, including wafer pick and place equipment (16%), coating equipment (14%) and photoresist coating equipment (8%). This will also become an important market for the equipment industry to develop.

The overall capital expenditure on semiconductor manufacturing remains stable in 2019; 7nm process, and logic and wafer processing are expected to compensate for some losses in the investment market. It is estimated that the semiconductor industry should be able to fully recover in 2020.

As to fab equipment investments by region in the past five years, South Korea has reported the most investments from 2017 to 2019. In 2019, however, demand for memory chips that are the core of the South Korean semiconductor industry is not as expected; TSMC continues to invest in advanced processes, with the growth rate expected to reach 20% in 2019. China is expected to have a significant impact on the market in 2020.

In terms of the sales of semiconductor equipment in major countries, the semiconductor equipment market is expected to decline due to the China-US trade war and stagnant sales momentum of smart phones. With the global sales of semiconductor equipment expected to increase by 9.7% year-on-year in 2018, reaching US$62.1 billion, higher than the record high of US$56.6 billion set in 2017, the growth of the semiconductor equipment market will slow down in 2019. SEMI estimated that the sales of semiconductor equipment would fall by 4% in 2019 and grow by 20.7% in 2020, peaking at US$71.9 billion.

Looking at 2018, South Korea became the world's largest semiconductor equipment market for the second consecutive year, while China rose to the second place for the first time, followed by Taiwan. SEMI pointed out that except for Taiwan, North America, and South Korea, all regions covered by the survey reported growth, especially in China with a growth rate of 55.7%, followed by Japan at 32.5% and other regions (mainly Southeast Asia) at 23.7%, and Europe at 14.2%.

Looking forward to 2019, although the global semiconductor equipment market will decline in size, South Korea, China, and Taiwan will remain top three semiconductor equipment markets in order. The sales volume of semiconductor equipment in South Korea, China, and Taiwan is estimated at US$13.2 billion, US$12.5 billion, and US$11.81 billion, respectively, in 2019. In addition, only three regions, including Taiwan (16.8%), Japan (3.4%), and North America (1.3%), are expected to report growth in 2019.

By 2020, the sales growth of semiconductor equipment will turn positive. It is expected that all regions will report growth, with South Korea reporting the largest growth rate, followed by China and Southeast Asia. The overall sales of the market is expected to reach US$71.9 billion.

(3) Intelligent automation industry

Since Germany took the lead in Industry 4.0, related technologies have also advanced rapidly, including industrial Internet of Things (IoT), Big Data, and robots, creating a new type of smart factories and industrial standards. Domestically, many manufacturers have launched industrial robot solutions, such as combining robotic arm with AGV. This application has extended from the manufacturing sector to the service sector.

In recent years, the wave of artificial intelligence (AI) has brought a new development direction to Industry 4.0 and clearly distinguished the difference between "automation" and "intelligence". AI technologies, such as "machine vision", "deep learning", and other algorithm analyses, have become a new trend in the future development of Industry 4.0. AI not only makes automation and robotics more precise, but also taps into new technology fields, such as “unmanned manufacturing”.

According to the research, the global scale of smart manufacturing and smart factories was about US$250 billion in 2018, while the global scale of smart manufacturing will be US$320 billion or more in 2020; in particular, the compound annual growth rate of the output value from 2017 to 2020 even reaches 12.5%. It is obvious that smart manufacturing has become the mainstream in the global industrial development. (Source: DIGITIMES)

According to the China Manufacturing 2018 Predictions published by IDC, the manufacturing environment in China would become more complex in 2018. International uncertainties included the China-US trade war and trade protectionism; domestically, he challenges included increasing manufacturing costs and corporate financial pressure. In this complicated environment, the manufacturing industry went through digital transformation throughout 2018, where emerging technologies, such as AI, blockchain, and edge technology, were maturing and industrial IoT was booming, all of which were new business opportunities for the manufacturing industry.

The quality development of China's manufacturing industry is listed as the top priority in 2019 by the Central Economic Work Conference. With the ongoing implementation of key initiatives, including "Made in China 2025", "IoT+", and "Industry 4.0", the manufacturing industry in China will usher in a new stage.

Driven by the pioneers of digital transformation, more and more manufacturers have embraced the wave of digital transformation. Platforms centered on blockchain and AI will realize the automation of business processes, and cross-industry collaboration will reduce costs for businesses. To increase speed, agility, efficiency and innovation, more and more manufacturers will go through extensive reconstruction with data being the center of the process. Workers at manufacturing facilities will increase productivity and improve the work environment through augmented reality/virtual reality (AR/VR), smart applications, and robots. (Source: IDC, January 2019)

(4) IVD in Biomedical industry

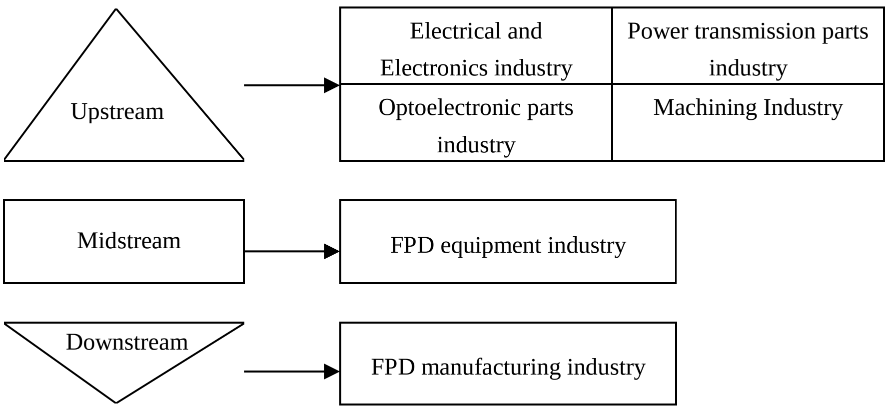
Defined as instant diagnosis and bedside testing, POCT (point of care testing) refers to a testing method that can quickly obtain test results on-site by using portable testing instruments and supporting reagents. POCT is a new subgroup in the IVD industry. The core element lies in meeting the need of instant diagnosis in clinical treatment or home use care. The ultimate goal is to obtain a fast, timely and reliable result. POCT has 5 outstanding characteristics: fast in speed, small in size, less in blood quantity needed, may be used by non-professionals, and extensive in application. These characteristics make POCT a perfect complementary to the traditional laboratory diagnosis. From the perspective of the global market, blood glucose testing accounts for the largest proportion of the POCT market, and cardiovascular testing and infectious disease testing are the fastest growing applications. As the POCT market in Taiwan is at the initial stage, its overall growth rate is much higher than the global level; in particular, cardiovascular testing and infectious disease testing report a significant growth (source: TriMark).

The biotechnology analyst Wen, Ching-Wen, pointed out that the global scale of the POCT market was US$17.8 billion in 2016. In 2020, the market scale may grow to US$25.6 billion. From 2015 to 2020, the CAGR is up to 9.7%. The scale of China's POCT market is smaller, with the CAGR remaining at 20%~30%, much higher than the international level. This is mainly driven by the huge population base and the idea of health management. With the medical reform leaded by the government of China and investments in basic sanitary construction, the POCT market in China experiences growth year by year. In 2016, the market scale of China's POCT market was US$0.95 billion. With the progress of medical reforms and forming of a community medical system, China's POCT market may have various applications in surgery, emergency, ICU, chronic disease prevention, public health emergencies, county-wide medical institution market, and new type of rural cooperative medical care. By 2022, the scale of China's POCT market is expected to reach US$3.25 billion. (Source: Qianzhan Industry Research Institute, China)

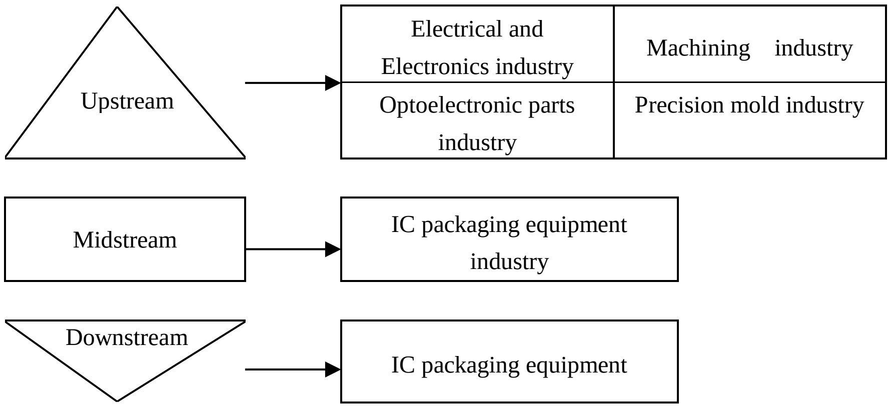
China's POCT is in the early stage, so the overall growth rate is much higher than the global level. It features fast growth in the subgroup. If using testing item as a classifying measure, POCT includes blood sugar testing, blood gas/electrolyte testing, heart marker testing, infection factor detection, pregnancy and childbirth examination, infectious disease testing, drug abuse testing, and tumor marker testing. Drug abuse testing is mainly used by the police detecting drugs and physical examinations for military services. This is a market to be explored. Tumor marker testing puts less emphasis on timeliness, and the POCT application is relatively less today. In the future, in response to hierarchical diagnosis and treatment system, the applications of tumor marker testing can be expected to reach primary care. Heart marker testing is the bottleneck of the whole cardiovascular field. Only with correct diagnosis within short time span can necessary rescue be done. POCT product's response time is short, so patients can be given timely diagnosis and treatment. Cardiovascular testing reports the fastest growth in the global POCT market. According to the Chinese cardiovascular report in 2016, from 1980 to 2015, the number of cardiovascular and cerebrovascular patients grew at 9.96% per annum on average. By the end of 2015, cardiovascular patients in China amounted to 290 million. So far, in China's first-tier hospitals, imports take bigger share. Domestically made products have higher market share in small and medium hospitals. Infectious disease-related POCT products are mainly used in 4 tests before surgery (hepatitis B, hepatitis C, syphilis, and AIDS) and hepatitis screening before endoscopy check. This allows primary hospitals, private clinics, and community healthcare centers that are not equipped with bacteria culture to conduct rapid screening of microorganisms. At the outbreak of disease, POCT products can be used in primary rapid screening and diagnosis. In China, the medical market mainly focuses on primary medical institutions and disease control prevention institutions. (China Industry Competitive Intelligence Network, Hua Chuang Securities)

2. The supply chain of upstream, midstream and downstream of the industry

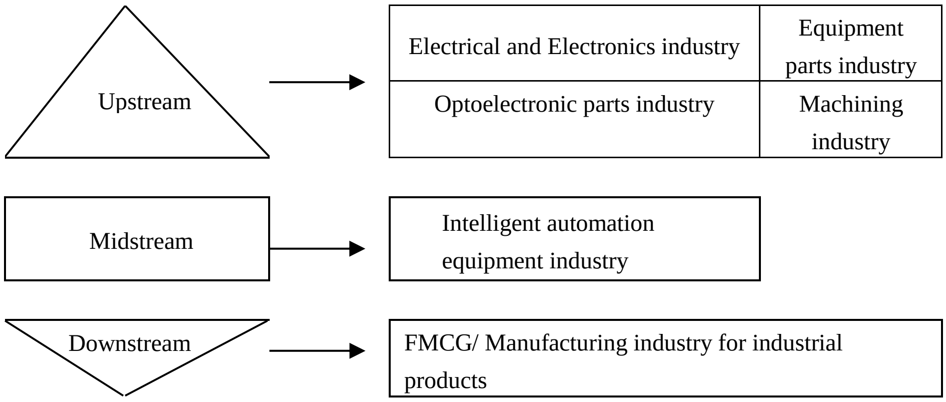
(1) FPD equipment industry



(2) Semiconductor IC packaging equipment industry



(3) Intelligent automation equipment industry



3. Product development trends and competition status

(1) FPD Equipment industry

In the future, supply more than demand in large-size panels will become a norm. DIGITIMES estimated that by 2021 there would be 6 10.5/11-generation production lines in China; in addition to 2 production lines in BOE and CSOT each, Foxconn's 10.5 generation in Guangzhou is expected to enter mass production by the end of 2019, and G11 invested in by a new panel manufacturer, HKC, is expected to enter mass production in 2021. Following BOE and CSOT, CEC and HKC has been actively expanding production of large-size LCD panels for the next few years. In 2019, it is estimated that CEC and HKC will achieve the annual growth rate of large-size LCD panels at 55% or above. If combining all the capacity that higher than 8-generation, the 40-inch and above TV panel market's supply is more than demand. As the demand side does not have a corresponding appetite, supply more than demand for large-size panels will become a norm.

With smart phone panels turning to AMOLED, digital cameras and portable navigators replaced by smart phones, and 9 inch becoming the mainstream for tablets, industrial control, automotive panels, and IoT applications will become a steady source of growth in small and medium size TFT LCDs.

The demand for equipment follows the trends below:

A. Large size, LTPS, OLED small size production equipment are the mainstream.
B. The demand for equipment is mainly coming from China.
C. Complementary to the request of high quality and differentiation raised by Taiwan's panel manufacturers, there will be a lot of partial expansion and demand for a new type of equipment.
D. The government of China is promoting the use of panel equipment manufactured domestically.

From the above trend, the main demand for equipment will be more concentrated in China, but Chinese equipment manufacturers will also face bigger challenges.

(2) Semiconductor Equipment Industry

From 2017 to 2022, the annual growth rate of global smart phone shipments has slowed down year by year. With the increase in the number of IC installations and demand for advanced processes, smart phones are still an important driving force of the growth of global foundry production; in addition, IoT, AR/VR, automotive electronics, and high-performance computer markets are expected to enter the stage of growth in the next five years. DIGITIMES Research estimated that the output value of global wafer foundries, including pure wafer foundries and some related integrated component factories, would reach US$74.66 billion in 2022, with the compound annual growth rate (CAGR) reaching 6% from 2017 to 2022.

From the perspective of capacity planning, TSMC's 10nm Fin Field-Effect Transistor (FinFET) process was put into mass production in the fourth quarter of 2016 and contributed to revenue in the second quarter of 2017. DIGITIMES Research estimated that in 2017, TSMC's revenue from its 10nm process would account for about 10% of its annual revenue. TSMC expects to put 7-nm FinFET process into mass production in early 2018. As for the 7-nm Extreme Ultraviolet (EUV) process, TSMC expects mass production in early 2019. The advanced process mass production will also become an important driving force for the global foundry industry in the next five years. SMIC, UMC, HLMC, and Globalfoundries' new 12-inch fabs started contributing in 2018, mainly from 28nm process. If these new capacities are in place, China's new 28nm process will have a monthly capacity of 246,000 12-inch wafers. DIGITIMES Research expected that the price of the 28nm process will continuously be on the downside.

With more and more IC manufacturers launching advanced Fan-out packaging IC products, InFo developed by TSMC has also been applied to A10 CPU. ASE and PTI have also adopted Fan-out packaging for mass production.

Yole Développement, a market research company, estimated that the global FO market would grow from US$847 million in 2017 to US$1,584 million in 2019, and then grow to US$3.864 billion in 2024. The compound annual growth rate of the global FO market in 2017~2019 and 2019~2024 would be 23% and 19%, respectively.

The market information above has pointed out that the advanced packaging trend is a big opportunity for the future development of the equipment industry. This is also GPM's main focus.

Semiconductor packaging companies in Taiwan mainly use foreign equipment. However, equipment manufactured domestically has improved in terms of precision and functions. Local manufacturers have also worked with first-tier manufacturers in equipment development projects; therefore, the technical gap between local manufacturers and foreign manufacturers has become smaller.

As advanced packaging, such as 3D/2.5D IC/Fan-out and the like, has become a clear trend, there is no single standardized equipment because of different processing methods used by front runners in the market. Thus, each leading brand should have the agility to develop equipment that matches the processing timeline to reinforce its competitiveness. This is also a good advantage for domestic equipment manufacturers.

5G will be a new wave of growth momentum. In the first half of 2019, demand and sales in the smart phone market did not improve significantly. In terms of technology trends, however, the 5G mobile communications system has excited the global chip brand manufacturers. It is worth noting that 5G chip design is complex, but it also promotes demand for system-in-package (SiP), greatly enhancing the importance of wafer testing and finished product testing in the IC testing field.

Automotive electronics applications continued to grow. In 2017, the global automotive electronic components (including LED modules) packaging market was US$3.7 billion, of which the outsourced semiconductor assembly and testing (OSAT) market grew by 30%. With the continuous growth of the automotive electronic system market, it is estimated that the scale of the automotive electronic component packaging market will grow to US$7 billion in 2023.

(3) Intelligent automation equipment industry

With the progress of AI, IoT and Big Data, the development of smart factories has become mature. Data and information of machines, equipment, devices and components are linked through IoT. The smart production process also realizes the intelligence of production lines.

For the development of the market in 2019, the supply chain relating to the smart manufacturing industry believes that the change in the economy in 2019 is a very important factor, because global investment has been reduced since the third quarter of 2018. The wait-and-see atmosphere was strong, and some of the orders were reversed. The main variables in 2019 remain the China-US trade war and the follow-up development of Brexit; conservatively, performance in the second half of 2019 is likely to excel that in the first half.

The China-US trade war is key to the economy; however, some industry players believe that in response to the China-US trade war, many players have begun to set up the second production centers overseas, along with gradually increasing demand. For smart manufacturing related industries, such as tool machines, the annual growth rate will reach 5%~10%; the main factor lies in the performance of the second half of 2019. If the performance is good, related industries will have a chance to grow by 10%.

In addition to the tool machine industry, component and system integration industries are optimistic about smart manufacturing driving market demand. Tool machine manufacturers believe that in addition to the transformation of smart manufacturing in China, other business opportunities like the gradual migration to Vietnam and Southeast Asia in response to environmental needs may emerge in half a year at the earliest.

Key component manufacturers point out that global manufacturing has entered the era of smart manufacturing, where enterprises have stepped up their pace to invest in smart factories. In addition to automated/smart equipment, the impact of industrial IoT and the cyber-physical system (CPS) are important issues. Demand for automation-related components, such as electronically controlled proportional valves, electronic flow meters, and manifold valves, will increase as smart production lines are built for industrial upgrade or transformation, and will also contribute to revenue to some extent.

In response to the trend of smart manufacturing, the requirements for instant visualization of data are becoming more and more common. For the smart manufacturing system integration industry, it integrates not only a single machine or production line, but also equipment of different brands in the entire factory. To display information on the real-time operations of all machines through remote monitoring, efficient smart management, including standardized equipment interoperability, information transparency, and digitization, must be achieved.

Smart manufacturing is now a necessary development direction for global manufacturers. Even if the uncertainties in the environment lead to temporary deferral or suspension of development projects, most of the cases are only adjustments in progress; only few cases are put into full suspension. The projects that have been affected and suspended will resume and even step up the pace as long as the environment tends to be stable. For the supply chain of the industry, they will embrace a new wave of growth.

(4) IVD in Biomedical industry

From the perspective of the global market, blood glucose testing accounts for the largest proportion of the POCT market, and cardiovascular testing and infectious disease testing are the fastest growing applications (source: TriMark). China's POCT is in the early stage, so the overall growth rate is much higher than the global level. It features fast growth in the subgroup. If using testing item as a classifying measure, POCT includes blood sugar testing, blood gas/electrolyte testing, heart marker testing, infection factor detection, pregnancy and childbirth examination, infectious disease testing, drug abuse testing, and tumor marker testing. Drug abuse testing is mainly used by the police detecting drugs and physical examinations for military services. This is a market to be explored. Tumor marker testing puts less emphasis on timeliness, and the POCT application is relatively less today. In the future, in response to hierarchical diagnosis and treatment system, the applications of tumor marker testing can be expected to reach primary care. Heart marker testing is the bottleneck of the whole cardiovascular field. Only with correct diagnosis within short time span can necessary rescue be done. POCT product's response time is short, so patients can be given timely diagnosis and treatment. Cardiovascular testing reports the fastest growth in the global POCT market. According to the Chinese cardiovascular report in 2017, the number of cardiovascular and cerebrovascular patients continued to increase. The estimated number of cardiovascular patients was 290 million, including 13 million suffering from cerebral stroke, 11 million from coronary heart disease, 5 million from pulmonary heart disease, 4.5 million from heart failure, 2.5 million from rheumatic heart disease, 2 million from congenital heart diseases, and 270 million from hypertension. So far, in China's first-tier hospitals, imports take bigger share. Domestically made products have higher market share in small and medium hospitals. Infectious disease-related POCT products are mainly used in 4 tests before surgery (hepatitis B, hepatitis C, syphilis, and AIDS) and hepatitis screening before endoscopy check. This allows primary hospitals, private clinics, and community healthcare centers that are not equipped with bacteria culture to conduct rapid screening of microorganisms. At the outbreak of disease, POCT products can be used in primary rapid screening and diagnosis. In China, the medical market mainly focuses on primary medical institutions and disease control prevention institutions. (China Industry Competitive Intelligence Network, Hua Chuang Securities)

4. For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, R&D expenditures:

Unit: NT$ thousands

Year / Item	2018	As of March 31, 2019
R&D expenses to Operating income	337,534	76,998
R&D expense to Operating income ratio	6.93%	9.22%

5. For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, techniques and products that have been developed successfully for the Group

R&D Items (Processing Technology)	Names of machine developed
	● High-Throughput Wafer Glass Surface Defect Inspection .
	● Parts/Material AGV.
	● IC Substrate Grinding MC.
	● Strip Disc Grinding MC.
	● Panel Molding System.
	● GV-50 D/B Post Inspection System.
	● Tray / Boat Laser Marking.
	● 3D IC/Fan Out Bonder.
	● Tape Reel Chip Sorter.
	● Panel Fan Out Bonder.

	● 6S Inspection Chip Sorter.
	● Fully auto laser marking machine
	● High speed duql head pick & place machine

1.6. Long and short-term business development plans

1.6.1 Short-term plans

(1) Incorporate foreign technology and improve the high value-added prober and wet process etching equipment of the FPD array segment.

(2) Seize the trend of FPD plant construction and arrange GPM's production capacity to carefully select business opportunities with reasonable gross profits.

(3) Follow the intelligent automation development in 2018, integrate resources, and provide the strategic partners and key accounts in major industries integrated automation solutions to achieve their smart manufacturing goals.

(4) Continue the cooperation with world-class companies to become their long-term automation equipment partners to ensure the stability sources of business development.

(5) Aggressively tap into the development of high value-added semiconductor front-end advanced detection technology and testing and grinding equipment for middle-to-back end packaging through technical introduction and cooperation.

(6) Improve the performance of existing IC substrates to enhance product lines and expand customer bases.

(7) Adopt a close-to-market strategy and continue the development of health reagents for IVD and testing equipment.

1.6.2 Long-term plans

(1) Transforming with innovation and sustainability is the top priority of the development strategy.

(2) Business aspect:
–Strengthen the foothold in the display industry, semiconductor industry and intelligent automation industry.

(3) Product aspect:
–Develop core technology (equipment & process).
–Integrate cross-industry products and create additional value.

(4) Adopt an international strategy that aims at talent development.

2. Market, Production, and Sales outlook

2.1 Market Analysis

1. The Company main product (service) sales (provision) area and market shares

The Company's products have presence mostly in Asia. During the last two year the sales percentage of the GPM export sales:

Unit: NT$ thousands

Year / Items	2017		2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Domestic Net Sales	1,448,372	29.93%	2,063,982	42.35%
Net Sales from Export	3,391,515	70.07%	2,809,171	57.65%
Total	4,839,887	100.00%	4,873,153	100.00%
Market Share	Not applicable		Not applicable	

2. Market Development

In line with the business strategy, GPM will continue strengthening core technology and widening the applications in the Display, Semiconductor, IC substrate, Intelligent automation, and Biotech industries.

(1) Display Industry

In 2018, China surpassed South Korea in terms of capacity for large-size TFT LCDs and became a region with the most production capacity in this field. In 2020, China is expected to account for 51.8% of the global production capacity for large-size LCDs and 57.5% in 2022. (See the figure below.)

(2) Semiconductor Industry

Under the current market condition, 5G applications, mobile devices, automotive electronics, high performance computing, IoT, and AI are expected to be the main fields of focus in the next three years. As advanced packaging, such as 3D/2.5D IC/Fan-out and the like, has become a clear trend, there is no single standardized equipment because of different processing methods used by front runners in the market. Thus, each leading brand should have the agility to develop equipment that matches the processing timeline to reinforce its competitiveness. This is also a good advantage for domestic equipment manufacturers.

GPM has long been focusing on the business of semiconductor packaging equipment, with several products gaining recognition from leading brands. GPM also has the advantages of maintaining close contact with customers, having years of strong technical backing, and being flexible to meet the customers' needs making it able to provide products and services to customers' satisfaction in the long run. In advanced packaging technology, GPM has invested in the development of forward-looking process equipment. Currently, many new process facilities have been successfully adopted by global leading brands. Given the increasing demand in the market, the prospects of the industry are optimistic with prudence in 2019.

(3) Intelligent automation equipment industry

GPM's smart equipment solutions mainly focus on AVG, intelligent diagnosis and maintenance system (IDMS), and robot processing system. System integration is one of GPM's advantages. GPM has achieved the outstanding performance in semiconductor, panel, solar power, PCB, and biomedical industries with the strong capabilities of manufacturing and system integration. GPM has received numerous industrial evaluations and awards at home and abroad. In response to the new trend of Industry 4.0 and smart machinery, GPM has launched smart manufacturing solution packages to accelerate the development of the manufacturing industry in this field.

(4) Biomedical industry

POCT is the main focus. Due to the advantages of easy to use and rapid screening, the applications today cover ICU, emergency care, ambulance service, and home care. The usage includes blood sugar, heart marker, and infectious diseases. Among the others, chronic disease testing, such as cardiovascular, diabetes and tumor, is growing at the fastest speed. Technology has gradually evolved from dry chemistry, immune colloidal gold, immunofluorescence, and biosensors to biochips. The examination is also changed from qualitative method to quantitative method mainly because the advancement of microfluidics that facilitates micro and refined positioning.

3. Niches in competition, Favorable and Unfavorable Factors to Long-term Development and

Countermeasures:

(1) Favorable factors

In terms of display, through technology transfer of Japan's high value-added prober and wet process etching equipment of the array segment, GPM has successfully developed main process products in Array and Cell segments and applied them to key accounts. This have strengthened the health of GPM's operations in the display field.

In 2019, the global electronics market is dominated by smart handheld devices, IoT, 5G, memory, AI, automotive electronics, and virtual reality and augmented reality. The future growth potential of automotive semiconductors and memory markets is sizable; in addition, 5G and AI applications are gradually growing. Due to demand for new equipment in these markets, as advanced packaging, such as 3D/2.5D IC/Fan-out and the like, has become a clear trend, there is no single standardized equipment because of different processing methods used by front runners in the market. Thus, each leading brand should have the agility to develop equipment that matches the processing timeline to reinforce its competitiveness. GPM has the advantages of maintaining close contact with customers, having years of strong technical backing, and being flexible to meet the customers' needs. With support from the government and domestic leading brands, this has become a good basis for GPM to get into the market.

The intelligent automation market is seeing explosive demand. GPM is entrusted by many leading enterprises in different fields to form large-scale alliances. The future development is promising.

A. Research and development

GPM has devoted itself to innovation and research and development of diversified products, cooperating with research and academic institutes to develop advanced process equipment. GPM has a fine reputation for its research and development capacity.

With comprehensive core technologies and integrative applications, GPM has completed several technology cooperation projects with international leading companies in recent years. By importing world-class technology, GPM has achieved fruitful results. Recently, GPM has signed a technology licensing and mutual development contract with IBM to introduce an analytical and testing system that can be applied to advanced semiconductors. This can further help GPM reach out to the international market and transform itself.

B. Sound quality system

GPM has a sound quality system containing quality (Q), delivery (D), technology (T), cost (C), and service (S) to provide customers total solutions and form alliances with world-class customers. So far, GPM has made great progress in the company strategy, "Strategic/Cross-Field Cooperation, Advancement with Alliance".

C. Strong backup systems

GPM has a good credit history. With many years of business dealings with suppliers, good partnership has been formed. This is crucial to the capacity expansion and stable supply of raw materials.

(2) Unfavorable Factors and Countermeasures

A. With the emergence and expansion of China's panel industry and the China government's initiative of using equipment manufactured domestically, GPM is facing strong competition from local equipment manufacturers. China's strong support for its semiconductor industry is accelerating the development of the local equipment industry. local equipment manufacturers compete for the market at low prices by investing in the research and development of new products and industrial applications, including memory. In future, this will turn out to be a competing relationship.

Countermeasures:

(A) Continue strengthening product technology, increase patent applications, and import advanced foreign technology to upgrade the products and get rid of price competition.

(B) Allocate more resource in China's operations to level up the design and manufacturing capability of subsidiaries in China and to deepen their competitiveness. Localize equipment development partially, integrate local resources to control costs, and strengthen local services.

(C) Build alliances with equipment manufacturers in China to maintain existing business opportunities and provide high value-added products for customers in China.

(D) Getting close to customers with quick response is the key factor in cutting into the new process development. Capitalizing on this advantage, GPM is able to continuously innovate and grow with customers. Under the constraints on effective resources and rapid market changes, GPM should be prudent in choosing capital and human resources for mature products and new R&D equipment.

(E) Including memory, 5G, and MicroLED, based on core technology to expand supply in line with the industry trends.

B. FPD industry may not have a long and lasting development opportunity.

Countermeasures:

(A) Tap into to the high value-added front-end cleaning, wet etching and testing equipment of the FPD industry.

(B) Take advantage of the opportunity for FPD customers' equipment modification and expand after-market value-added services.

(C) Expand the foothold in the semiconductor and intelligent manufacturing industries and set up operations in Southeast Asia.

(D) Make the continuous effort to build strategic alliances, technology transfer corporation, and cross-field integration.

2.2 Main usage and Production Process of the Primary Products

1. Main usage

The Company is specialized in design, manufacturing and sales of equipment in FPD, semiconductor, intelligent automatic and biomedical.

2. The process of the Company's production and manufacturing are as follows:

All the Company's new product R&D shall follow the strict "C process design development control procedure" to control the R&D projects. C process includes "C0 Market Assessment", "C1 technique and product planning", "C2 Design Phase", "C3 Manufacturing and Assembly Phase", "C4 Testing and Validating Phase" and "C5 Result Confirmation Phase"

Development results are controlled by "S process", including "S1 Purchased Material Inspection", "Machine Component Module Assembly", "S4 Electricity Control and Whole Machine Control", "S4 Cold Run Test" and "S5 Hot Run Test".

2.3 State of Supply of Main Materials

The main material and source of the semiconductor equipment and TFT LCD equipment produced and manufactured by the Company are as follows:

Mechanical Component

(1) Functional Machine Component

The mechanical designers draw the technical drawings based on specifications and engineering department produce or outsource to contractor to produce. The main materials includes metal like steel, iron and aluminum.

(2) Standard Mechanical Parts

Other general parts such as bearing, servo motor, drive belt, spring, stamping die, guide rod and buffer are purchased through trader or from domestic market based on the decision and selection of mechanical designers.

(3)Software such as Computer and Human Machine Interface

Industrial and human machine interface are acquired through trader or from domestic market based on the decision and selection of electronic controller.

(4)Various signal transmitting and control components

Components such as sensors, solenoid valve, server controller and touch switch are acquired through trader or from domestic market based on the decision and selection of electronic controller.

(5)Electric and transmitting components

Components such as cylinder, illuminating lamp, transformer and power supply are acquired through trader or from domestic market based on the decision and selection of electronic controller.

2.4 Key Supplies & Customers

2.4.1. Key Suppliers

Names of suppliers accounting for more than 10% of the total purchase in any of the previous two years:None.

Unit: NT$ thousands / %

2017				2018			
Supplier	**Procurement Amount**	**As % of 2016 Total Net Purchase**	**Relation**	**Supplier**	**Procurement Amount**	**As % of 2017 Total Net Purchase**	**Relation**
Others	3,192,761	100.00%	—	Others	2,703,030	100.00%	—
Total Net Procurement	3,192,761	100.00%		Total Net Procurement	2,703,030	100.00%	

2.4.2. Key Customers

Names of customers accounting for more than 10% of the total sales in any of the previous two years:

Unit: NT$ thousands / %

2017				2018			
Customer	**Net Revenue**	**As % of 2017 Total Net Revenue**	**Relation**	**Customer**	**Net Revenue**	**As % of 2018 Total Net Revenue**	**Relation**
Customer B	707,420	14.62%	—	Customer B	1,297,975	26.64%	—
Customer E	698,932	14.44%	—	Customer F	987,373	20.26%	—
Customer F	588,065	12.15%					—
Customer G	498,822	10.31%					—
Others	2,346,648			Others	2,587,805		
Total Net Revenue	4,839,887			Total Net Revenue	4,873,153		

2.5 Production Volume and Value in the Past Two Years

Unit: pieces / NT$ thousands

Year / Output / Major Products (or by department)	2017			2018		
	Production Capacity	**Production Volume**	**Production Value**	**Production Capacity**	**Production Volume**	**Production Value**
Display Process Equipment	**Not applicable**	421	2,377,710	**Not applicable**	330	3,204,906
Semiconductor Process Equipment		1,102	605,933		2,431	775,177
Intelligent Automation Equipment		555	586,481		14	25,467
Others		13	657,287		10	711,233
Total		2,091	4,227,411		2,785	4,716,783

2.6 Sales Volume and Value in the Past Two Years

Unit: pieces / NT$ thousands

Year / Shipments & Sales / Major Products (or by departments)	2017				2018			
	Domestic Sales		**Export Sales**		**Domestic Sales**		**Export Sales**	
	Volume	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Display Process Equipment	62	683,844	161	2,003,370	127	1,247,070	127	2,254,604
Semiconductor Process Equipment	374	476,010	174	275,087	336	572,184	594	373,625
Intelligent Automation Equipment	9	39,835	545	807,335	3	17,415	1	7,084
Display Process Equipment	1	248,683		305,723	1	227,313	3	173,858
Total	446	1,448,372	880	3,391,515	467	2,063,982	725	2,809,171

3. Human Capital

Year		**2017**	**2018**	**As of March 31, 2019**
Number of Employees	**Indirect Labor**	314	326	344
	Direct Labor	521	538	545
	Total	835	864	889
Average Age		37.63	36.97	37.94
Average Years of Service		7.11	7.45	7.43
Education (%)	**Ph.D.**	0.12%	0.12%	0.22%
	Master's	18.20%	20.72%	20.36%
	Bachelor's	62.75%	62.38%	63.44%
	High School	17.60%	14.93%	14.18%
	Others	1.32%	1.85%	1.80%

4.Expenditure of environmental protection

For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the loss (including compensation) and penalty derived from pollution, future mitigation policy (including improvements) and estimation of possible expenditure and compensation.

The Company actively devoted itself into environmental pollution prevention, totaling NT$637 thousand. On an annual basis, a large amount of budget has been spend in improvement of pollution prevention equipment. In terms of effect on environmental climate, more efforts have been put on lowering the emission of greenhouse gas and enhancing the efficiency of energy usage. On top of abiding by domestic regulation, the Company also strives to comply with RoHS related rules and international covenant. In addition to business growth, environmental protection and work security is also its concern.

All the environmental protection affairs are in accordance with laws and regulations, there is no loss or penalty (including compensation) caused by environmental pollution.

5.Labor relations

5.1 Employee benefit measure, on-the-job training, training, retirement system, negotiation between employer and employees and other employee rights

5.1.1 Employee benefit measures

(1) Competitive level of remuneration

(2) Except for monthly wages, holiday bonuses for Mid-Automn Festival and Dragon Boat Festival are provided as well.

(3) To award outstanding performances for the employees, the Company gives seasonal bonuses, year-end bonuses, and employee remuneration according to the percentage of goals achieved, company profitability and personal performance of employees.

(4) To boost new ideas among employees, the Company provides innovation research bonus, improvement proposal bonus, special performance team bonus, and special talent bonus to boost employee morale and team work.

(5) To award the employee’s self-improvement, the Company promotes measures such as gives out English and Japanese language cerficiation bonuses, excellent internal educational trainers, and point systems for training courses.

(6) Three days of paid sick leave per year.

(7) Allowance for babysitting and education expenses for the third child of the employees.

(8) Subsidy for parking fees.

(9) Subsidy for on-the-job education and training.

(10) Free health checkup is provided for once every year.

(11) Cash gift for weddings, funerals, births, festivals and new years, and birthdays, as well as relief payment for hospitalization.

(12) Employees’ cafeteria is found in all factories, and meal subsidies are provided to employees.

(13) Cultural and recreational events are held sporadically.

(14) Happy Family Day event is held annually.

(15) Stress-relieving working environment and activities.

(16) Impeccable performance management system.
Those department heads of all levels in the Company launch development programs in an attempt to accomplish the targets set for the entire Company, departments and individuals. On a semiannual basis, they sponsor programs for the entire staff for evaluation of performance with efforts for instructions and feedbacks. The Human Resources Department provides training

programs which help all department heads better understand the importance of internalized evaluation of performance. Also through the programs, the department heads would be instructed and guided into better evaluation of performance and the interview process. Through such efforts as a whole, the entire staff of the Company would double their performance and be provided with sound career planning. Meanwhile, a sound mechanism to assure rational rewarding and punishment has been established.

The result of performance evaluation is basis for incentive bonuses, raises, bonuses, promotions, human resources cultivation and development programs.

(17) Welfare measures provided by employee welfare committee:

- ●We offer and scholarship and fellowships to employees' children from elementary school to graduate school
- ●Through efforts of Fringe Benefit Committee, we offer employees attractive discounts from contracted suppliers
- ●We grant gift money in cash to employees on the occasions of marriage, funeral, childbirth, certain national holidays and birthdays (PayEasy points)
- ●Club activities
- ●Cultural and recreational activities sporadically (movies, Christmas parties, festival activities)
- ●Travel activities.

5.1.2 Training

(1) Trainings for new employees includes: the Company's Overview, development history, management procedure, ESH, operating system and the like.

(2) The Company establishes "The Handbook of Educational Training Quality" for employees' reference. Each year, the Company appropriates certain amount of educational training budget to highlight the concept of quality, teach the necessary working skills, incubate human resource in all fields and achieve our goal and requirement to quality. The details are as follows:

A. Internal training: training conducted by headquarter or by branch

B. External training: based on job requirement, each department may file an application to send their staff to trainings hosted by professional institution. Depending on the training, the Company request the trainee to sign an agreement to guarantee a minimum service period after the training.

C. 2018 statistics of OJT and educational training and expenditures are as follows:

Education and Training	Internal Training	External Training
Number of Trainees	3,498	1,142
Training Expense	$1,508,910	$704,208
Name of Course	Internal training	External training
	R&D Design Center: Introduction and application of smart robots, basic operations of Oracle, data collection operations, electronic control software, electronic control system, general education course on SEMI certification, electronic control drawing and specifications and troubleshooting, engineering plastics application in automation industry, smart sensor application, introduction of controllers, software projects and version management tools, machine pipeline design, introduction of PLC software,	R&D Engineering: 2018 ISTFA (International Symposium for Testing and Failure Analysis), CSTIC 2018 Symposium, NVIDIA GPU Technology Conference (GTC), Microsoft and IoT Smart Manufacturing, SOLIDWORKS (SWTC), Taiwan-Berkeley AI Forum (Program Office of AI Research, MOST), 2018 AI Summer School: Vision and Learning (Program Office of AI Research, MOST), Injection Molding Optimization by Taguchi Methods and Design of Experiment

	case study of equipment cost reduction, equipment electronic control hardware design, case study of concurrency control, visual inspections, case study of equipment safety loops and safety programs, equipment design examples, and AOI tools and development of GPM	(PIDC) and Mini LED/Micro LED (TDMDA)
	Production Engineering Center: SOP for light testing machines, new function application and setting, machine power distribution specifications, QC table for process cleaning machines, and cable carrier exception and basic planning Material Center: Basic application and introduction of machine general purpose products, training on machine-related products, internal training on key operations of purchased routine systems, essentials of machine operations, instructions on laser interferometer, material application and installation, product launch, and essentials of plastic welding	
	Business Center: Requirements for semiconductor Fan Out process equipment for the next three years, and semi standards	Marketing Business: Latest CES exhibition information and QD display trends (Industrial Development Bureau, M.O.E.A.), realization of R2R flexible FPD manufacturing (SumKen), Smart Manufacturing Series - Forum on AI Applications in Semiconductor Smart Manufacturing (SEMI Taiwan), Seminar on Semiconductor Equipment and Materials Localization (SEMI Taiwan), 2018 PCB Key Technology Forum (TPCA), and Seminar on Panel Level Package (SEMI Taiwan)
	Customer Service Center: How to choose a right reducer	
	General Administration Division: Training on new version personnel system (Hsinchu Factory), tax and wealth management planning, and introduction of GPI / GPS personnel attendance and salary system structure Finance & Accounting Division: Introduction of insider trading and disgorgement regulations	Financial Management: Manufacturing material system inspection practice (Internal Audit Association of the Republic of China), finance and accounting practice (Federation of Taichung City Industries), continuing education for accounting managers - laws and regulations and information (Accounting Research and Development Foundation), continuing education for accounting managers (Accounting Research and Development Foundation), IFRS

		Leases (Securities & Futures Institute), finance and accounting practice (Federation of Taichung City Industries), and interpretation of financial analysis indicators and prevention of business risks (Internal Audit Association of the Republic of China)
	ESH Section: Fire escape drills, self-defense fire group drills, emergency response drills, general education on hazards, back pain, influenza prevention and treatment, general safety and health training, aerobics, boxing aerobics, CPR and Hamrick training, CPR & AED training, aerobic body shaping, and fire evacuation drills	Occupational Health and Safety: General EHS training, six-hour labor safety and health training, training (retraining) for fire fighting management personnel and emergency personnel, on-the-job safety and health training for fixed crane operators, training for fork lift operators (Taiwan Labor Association/Industrial Safety and Health Association of the R.O.C/China Productivity Center), on-the-job training for fixed crane operators, general labor safety and health training for contractors, and training for Type C occupational safety and health managers
	Administration Division: 2018 LOHAS x health x Happiness series, English proficiency training, training for new employees, logical presentation practice, technical presentation practice, leadership training, HR and financial concepts for managers, vertical communicating skills, key account management, advanced financial management practice, efficient meeting management and minutes, problem analysis and solving skills, work efficiency improvement, advanced problem analysis and solving skills, and strategic roadmap planning	Administration Development: Recruitment interview skills (Chinese Personnel Executive Association), performance interview and employee performance improvement plan (Chinese Personnel Executive Association), how to be a smart supervisor (Chinese Personnel Executive Association), business opportunities for corporate sustainability from the perspective of corporate social responsibility (TPCA), project assignment and problem analysis (Chinese Personnel Executive Association), how supervisors drive cohesion and motivate high performance (Small and Medium Enterprise Administration, M.O.E.A.), KPI setting and performance management system design (Chinese Personnel Executive Association), and 2018 Global corporate Sustainability Forum (TAISE)
	Labeling, analysis, and application and design of geometric tolerance, automated electromechanical integration and control system technology practices_2/2, machine vibration measurement, analysis, problem diagnosis and improvement practices, precision measurement	2018 International Micro LED Display Conference, Fan-in/Fan-out, wafer-level assembly, panel-level assembly, 3D integration technology, advanced packaging process and equipment technology technician training, general labor safety and health training (six-hour industrial safety

	principles and implementation of precision measurement platforms (I), AI applications in industrial automation, precision measurement principles and implementation of precision measurement platforms (II), machine vision and image processing technology, ILM-350WX training, COGNEX WAFER ID DEADER, SU23 C.K. design, and ILM-380WX training, precision pick and place technology for semiconductor packaging process & design of mechanical structure and precision motion platform, design of mechanical structure and precision motion platform, SECS/GEM connection technology, precision motion control and drive_1/2, precision motion control and drive_2/2, automated electromechanical integration and control system technology practices_1/2, production process management, SENSOR type and application environment, patent specification interpretation and retrieval practices, accounts receivable collection, case study on development of domestic investment market, after class sharing (cross-department communication and teamwork), 5S implementation, 5S organization, BOC REWORK measurement priorities, BOC work inspection specifications, CAVITYBAR E-PIN inspection, D/T DIE structure introduction, D/T work introduction, EPDM-SW frame templates and save back files, summary of EPDM usage, summary of recent work, BOM establishment through EPDM, tri-service system user training, EPDM training, interface/user login, EPDM-search and copy tree structure, EPDM-old map filing, EPDM drawing training, ILM-350WX system principle, R angle inspection priorities, TF introduction, VPDM data import to EPDM, VPDM transfer to EPDM, trigonometric functions, work discipline, efficiency and discipline, post-process surface changes and measurement priorities, work quality, outsourced work measurement priorities, linear slides and ball screw inspection priorities, undelivered list filling, production safety and efficiency, production schedule,	training/retraining), six-hour occupational safety and health training for contractors, on-the-job training for Type C occupational safety and health managers, training for forklift operators (load of 1 metric ton or more), production and logistics management practices, 2018 laser application training (II) -semiconductor laser applications, salesperson communication skills, ten classes for professional managers of listed companies, seminar on preparation for consolidated financial statements: notes and tables and assets/liabilities and hedge accounting treatment under IFRS 9 Financial Instruments, seminar on IFRS adoption, continuing education for principal accounting officers of issuers, securities firms, and securities exchange, accounting treatment under IFRS15 Revenue, inventory management, and MRO risk assessment and audit priorities, six key competencies for successful leaders, Accounting Elite Seminar - digital internal audit and internal control practices, role directors and supervisors play in fraud detection and prevention and whistle-blowing mechanisms, improvement in corporate governance, cross-department communication and teamwork, leadership, and subordinate incubation, how auditors improve the effect and efficiency of business operations, and case study on corporate fraud for auditors

	material shortage report, production progress report, material hardness, plan review, production safety, and batch printing practices, SWPDM project templates and specifications, workshop discipline/production safety/health, how to improve the quality of electrical discharge machining, how to choose the right clamping method for different works, efficiency and discipline of discharge department, quality and efficiency, how to improve the production efficiency of the entire department, detailed explanation of special products, inspections before shipment, common screw pitches, common pin and round bar measurement priorities, common metric screw bottom hole diameter and bracket bottom hole diameter, use of measuring tools (I)/(II), measurement method proficiency test-basic, measurement equipment maintenance record filling, orientation training, basic knowledge training for new employees, production progress report for assembly engineers, material requisition procedures training for assembly engineers, part chamfer design and processing specifications, teamwork awareness training, wire cutting production quality, wire cutting quality and efficiency, wire cutting groove measurement priorities, health and discipline, pre-shipment and pre-installation meetings, quality, safety and efficiency of grinding holes, appearance inspection priorities, and inspection procedures	

5.1.3 Retirement Policy

(1) The Company provides Labor Insurance, National Health Insurance, group insurance, and group overseas business travel insurance in response to the demands from our colleagues when visitng hospitals while on business trips overseas. The Company aims to provide full range of insurances for the employees.

(2) Retirement systems and its status of implementation: The retirement systems of the Company and its subsidiaries are operated pursuant to relavant laws and regulations of their respective countries they are located.

A. Companies within the R.O.C.: The Labor Standards Act has stipulated labor retirement plans. It is mandatory for the employer to appropriate 2% or more as pension reserve to the designated account of The Supervisory Committee of Workers' Retirement Fund, and Labor Pension Act went into full effect on July 1, 2005. The regulations are as follow:

(A) Labor Pension Act are applied to all employees who started their employment on or after July 1, 2005.

(B) For employees who started their employment before July 1, 2005, they may make their choice from the pension systems in either Labor Pension Act or Labor Standards Act within five year beginning from July 1, 2005. If employees do not make any choices regarding the pension system, after the window is closed, their pension will continue to be mandated by Labor Standards Act.

(C) Employees who is under any one of the following conditions may apply for voluntary retirement:

- Where the employee attains the age of fifty-five and has worked for fifteen years.
- Where the employee has worked for more than twenty-five years.
- Where the employee attains the age of sixty and has worked for ten years.

(D) Standard for paying pension:

- Based on the employee's year of service rendered, two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months.

- Pursuant to Article 54, Paragraph 1, Subparagraph 2, when the reason for workers who are forced to retire is due to unable to perform his/her duties due to mental handicap or physical disability caused by his/her job duties, 20% more of the pension stipulated in the preceding subparagraph will be given.

B. Companies within China: The endowment insurance for employees after retirement are paid by the Company pursuant to local regulations.

(A) Based on the operation methods of local social insurance, the social insurance include medical, childbirth, endowment, occupational sickness, and unemployment. After the company has finished the application of adding member of social insurance, the company then begins to fulfill its duty on paying social insurance. The endowment insurance fee is appropriated according to the bases of the payment; the ratio of appropriation is mandated by local regulations.

(B) When the employee reaches mandatory retirement age and the limit of years of payment, they are entitled to receive the pensions according to local regulations. The general components of pensions are: basic pension + pension in the employee's personal account.

5.1.4 Negotiation between employer and employees and other employee rights:

(1) The Company puts a lot of efforts in labor-management relationship and adheres to Labor Law and related regulations. For the past years, the Company has built harmonized labor-management relationship. There is no dispute between the labor and the management.

(2) The Company values the rights and future developments of our employees, and therefore we have established an Employee Welfare Committee to offer them with various fringe benefits. The Company has established "The Handbook of Educational Training Quality" and encourage employees to participate in various training. The Company also sets up pension system in accordance with law, build communicating channel between labor and management and disclose welfare measures, learning and development, employees communicating and balanced life in the Company's website.

5.1.5 Commitment to Social Responsibility

(1) The Company abides by the rules, policies, and procedures of the Labor Standards Act and

international human rights agreements to protect the legitimate rights and interests of employees. The Company provides labor insurance, National Health Insurance (NHI), life insurance, accident insurance, disease and cancer insurance and set up pension fund.

(2) Labor-Management Relationship and benign communicating channel

The employees and corporate representative of GPM have mutually participation in discussing on various issues in order to maintain a benign communicating mechanism. The labor-management conference are convened regularly. The employees are able to make proposal to the management team so as to facilitate their understand employee's mind. Also, the Company has an effective and rapid channel to promote new and rapid promotion of the Company's policy and message. The question and suggestion raised by the employees will be track and feedback.

- We have set up the "General Manager Office's Mailbox" and have assigned special personnel to assemble and respond to the voices from employees.
- On a quarterly basis, we sponsor the "Employees' Conference" through which employees are given the chance and encouraged to speak up their opinions which are taken as a precious reference for the Company for better performance.
- On a quarterly basis, we sponsor the "labor-management conference" as another good bridge to harmonize the labor-capital relationship. The labor-management conference convened on a regular basis is very conducive to the management to hear firsthand opinions from employees.
- For each and every factory region, we have assigned staff members to specifically take charge of labor relationships to render help to employees and hear the firsthand voices from them on a face-to-face basis.
- We sponsor "employee symposiums" from time to time on a nonscheduled basis. The General Manager participates in that event in person to listen to what the employees have in mind.
- On a regular basis, we conduct "Employee Satisfaction Surveys" which proves to be another handy channel for the Company's management to hear from all employees.

(3) When there is any significant changes in operations that may have an impact on the employees' rights, the Company uses formal communicating channel such as employee symposium or labor-management conference to negotiate with employees in a hope to provide the best working environment for all the employees.

(4) For the safety of production environment and personnel, the Company set up designated HSE department and personnel in charge of HSE affairs. In terms of working environment, the Company continues to examine the operating environment biannually so as to evaluate personnel exposure and improve the working environment accordingly.

(5) The Company has created benign environment for employees' careers and established career development and training sessions.

(6) Awards in 2018

- Excellence Award in 2018 Taichung City Industrial Park Landscaping Evaluation (Taichung Factory)
- Vitality Award in 2018 Health Promotion Administration Workplace Health Award
- 2018 Sports Administration iSports Certificate
- Two-star Award in 2017-2018 Taichung City Government Excellent Corporation Happy Workplace Competition (Taichung Factory)

5.2 For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, loss from labor-management dispute and disclosure of possible loss amount and mitigation efforts. If it is impossible to estimate, the reason for impossible to estimate shall be explained: None.

6.Material Contracts

For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the Company's important contracts that are still valid and will become due recently:

Nature of Contract	Contracting Parties	Contract Start/End Date	Main Content	Restrictive Provisions
Technology Transfer Contract	MICRONICS JAPANCO., LTD.	From March 12, 2015	Transfer of Technology	Data related to Transfer of Technology Contract shall not be re-authorized or transferred to third party.
Technology Cooperation Contract	Sumitomo Precision Products CO.,LTD.	Ten years, Starting from September 9, 2016	Technical Cooperation	If no termination request being proposed upon due, the contract will be renewed.
Technology Licensing and Mutual Development Agreement	International Business Machines Corporation.	Starting from November 3, 2016	Technology Licensing and Mutual Development	If no significant violation, the contract remains valid indefinitely.
Lease Agreement	Central Taiwan Science Park Bureau	January 1, 2007 to December 31, 2024	Factory Lease Agreement with Central Taiwan Science Park	None
Lease Agreement	Hsinchu Science Park Bureau	January 1, 2007 to July 31, 2036	Factory Lease Agreement with Hsinchu Science Park	None
Long-term Borrowing	CTBC Bank Co., Ltd.	September 15, 2014 to September 15, 2019	Collateral loan of Factory in Central Taiwan Science Park	None
Long-term Borrowing	Cathay United Bank	July 31, 2008 to July 31, 2023	Collateral loan of Factory in Hsinchu Taiwan Science Park	None
Note: (1) current ratio: Higher than (including) 120% (2) Debt ratio: No higher than 120% (3) Financial Debt ration: No higher than 60% (4) Tangible Net Value: No less than NT$ 2.2 billion				

VI. Financial Information

1. Condensed Balance Sheets and Condensed Statements of Comprehensive income for recent five years

1.1 International Financial Reporting Standard.

1.1.1 Consolidated Condensed Balance Sheets - GPM & Subsidiaries

Unit：NT$ thousand

Item \ Year		2014	2015	2016	2017	2018
Current assets		3,393,811	3,891,570	5,272,765	5,254,391	5,556,032
Property, plant and equipment		511,080	498,147	478,669	624,659	622,497
Intangible assets		18,453	39,083	122,286	96,768	65,961
Other assets		512,210	469,667	376,494	248,888	276,706
Total assets		4,435,554	4,898,467	6,250,214	6,224,706	6,521,196
Current liabilities	**Before distribution**	1,380,172	1,890,698	3,208,291	3,164,925	3,027,527
	After distribution	1,512,280	2,055,834	3,505,537	3,365,891	（Note）
Non-current liabilities		460,884	440,046	434,540	519,074	633,138
Total liabilities	**Before distribution**	1,841,056	2,330,744	3,642,831	3,683,999	3,660,665
	After distribution	1,973,164	2,495,880	3,940,077	3,884,965	（Note）
Equity attributable to owners of the parent		2,347,723	2,315,464	2,328,515	2,218,042	2,417,626
Share capital		1,731,361	1,651,361	1,651,361	1,651,361	1,651,361
Capital surplus	**Before distribution**	373,289	275,976	242,949	186,765	199,091
	After distribution	298,978	242,949	176,894	186,765	（Note）
Retained earnings	**Before distribution**	214,559	354,666	479,387	442,995	599,645
	After distribution	156,762	222,557	248,196	242,029	（Note）
Other equity		63,666	33,461	(45,182)	(63,079)	(32,471)
Treasury shares		(35,152)	—	—	—	—
Non-controlling interests		246,775	252,259	278,868	322,665	442,905
Total equity	**Before distribution**	2,594,498	2,567,723	2,607,383	2,540,707	2,860,531
	After distribution	2,462,390	2,402,587	2,310,137	2,339,741	（Note）

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting.

1.1.2 Consolidated Condensed Statements of Comprehensive Income -GPM & Subsidiaries

Unit：NT$ thousand

Item \ Year	2014	2015	2016	2017	2018
Operating revenue	2,647,837	3,647,013	3,666,700	4,839,887	4,873,153
Gross profit	547,000	931,588	1,088,610	1,312,350	1,286,332
Operating income	58,736	294,698	307,032	465,799	433,227
Non-operating income and expenses	86,782	10,708	75,890	(127,486)	58,846
Income before income tax	145,518	305,406	382,922	338,313	492,073
Net profit(Loss)from continuing operations	102,555	235,887	299,059	230,681	406,267
Net profit(Loss)from close operations	—	—	—	—	----
Net profit (Loss)	102,555	235,887	299,059	230,681	406,267
Other comprehensive income, net of income tax	28,371	(35,345)	(96,545)	(24,861)	(28,394)
Total comprehensive income	130,926	200,542	202,514	205,820	377,873
Profit(Loss) attributable to owners of parent	72,566	199,911	260,709	200,252	370,105
Profit(Loss) attributable to non-controlling interests	29,989	35,976	38,350	30,429	36,162
Comprehensive income attributable to owners of parent	95,949	167,699	179,570	176,902	345,936
Comprehensive income attributable to non-controlling interests	34,977	32,843	22,944	28,918	31,937
Earnings per share (Note)	0.42	1.20	1.58	1.21	2.24

Note：Earning per share of year 2018 is Pending on approval of shareholders at Annual General Shareholders' Meeting.

1.1.3 Consolidated Condensed Balance Sheets - Parent Company

Unit：NT$ thousand

Item \ Year		2014	2015	2016	2017	2018
Current assets		1,656,945	2,014,399	3,330,084	3,197,393	3,481,176
Property, plant and equipment		453,496	444,934	431,180	418,710	412,781
Intangible assets		9,478	30,812	114,289	85,178	48,567
Other assets		1,692,188	1,660,404	1,654,851	1,417,386	1,348,542
Total assets		3,812,107	4,150,549	5,530,404	5,118,667	5,291,066
Current liabilities	**Before distribution**	1,061,963	1,459,090	2,860,897	2,590,060	2,428,187
	After distribution	1,194,071	1,624,226	3,158,143	2,791,026	（Note）
Non-current liabilities		402,421	375,995	340,992	310,565	445,253
Total liabilities	**Before distribution**	1,464,384	1,835,085	3,201,889	2,900,625	2,873,440
	After distribution	1,596,492	2,000,221	3,499,135	3,101,591	（Note）
Equity attributable to owners of the parent		2,347,723	2,315,464	2,328,515	2,218,042	2,417,626
Share capital		1,731,361	1,651,361	1,651,361	1,651,361	1,651,361
Capital surplus	**Before distribution**	373,289	275,976	242,949	186,765	199,091
	After distribution	298,978	242,949	176,894	186,765	（Note）
Retained earnings	**Before distribution**	214,559	354,666	479,387	442,995	599,645
	After distribution	156,762	222,557	248,196	242,029	（Note）
Other equity		63,666	33,461	(45,182)	(63,079)	(63,079)
Treasury shares		(35,152)	–	–	–	–
Non-controlling interests		–	–	–	–	–
Total equity	**Before distribution**	2,347,723	2,315,464	2,328,515	2,218,042	2,417,626
	After distribution	2,215,615	2,150,328	2,031,269	2,017,076	（Note）

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting.

1.1.4 Condensed Statements of Comprehensive Income-Parent Company

Unit：NT$ thousand

Item \ Year	2014	2015	2016	2017	2018
Operating revenue	1,647,815	2,460,533	2,596,175	3,771,317	3,827,468
Gross profit	259,282	544,969	725,343	983,958	917,237
Operating income	(19,668)	164,673	233,933	420,729	340,233
Non-operating income and expenses	108,043	64,372	67,414	(151,465)	73,320
Income before income tax	88,375	229,045	301,347	269,264	413,553
Net profit(Loss)from continuing operations	72,566	199,911	260,709	200,252	370,105
Net profit(Loss)from close operations	—	—	—	—	—
Net profit (Loss)	72,566	199,911	260,709	200,252	370,105
Other comprehensive income, net of income tax	23,383	(32,212)	(81,139)	(23,350)	(24,169)
Total comprehensive income	95,949	167,699	179,570	176,902	345,936
Profit(Loss) attributable to owners of parent	—	—	—	—	—
Profit(Loss) attributable to non-controlling interests	—	—	—	—	—
Comprehensive income attributable to owners of parent	—	—	—	—	—
Comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (Note)	0.42	1.20	1.58	1.21	2.24

Note：Earning per share of year 2018 is Pending on approval of shareholders at Annual General Shareholders' Meeting.

1.2 Auditors'Opinions from 2014 to 2018

Year	CPA	Audit Opinion	Remark
2018	Kwok-ah Tsang、LI TIEN YI	Unqualified Opinions	
2017	LI TIEN YI、CHENG YA HUEI	Unqualified Opinions	
2016	LI TIEN YI、CHENG YA HUEI	Unqualified Opinion	
2015	LI TIEN YI、CHENG YA HUEI	modified unqualified opinion	
2014	Kwok-ah Tsang、Wilson Wang	modified unqualified opinion	

2. Five-Year Financial Analysis

2.1. Consolidated Financial Analysis –GPM & Subsidiaries

Unit：NT$ thousand

Item	Year（Note 1）	2014	2015	2016	2017	2018
		Financial Analysis from 2014 to 2018				
Capital structure analysis	Debt ratio（%）	41.51	47.58	58.28	58.99	56.13
	Long-term fund to property, plant and equipment ratio（%）	573.33	577.3	609.53	469.43	535.58
Liquidity analysis	Current ratio（%）	245.9	205.83	164.34	166.01	183.51
	Quick ratio（%）	210.03	168.62	124.97	115.67	141.4
	Times interest earned (Times)	16.72	28.7	32.03	20.3	24.47
Operating performance analysis	Average collection turnover (Times)	2.21	2.41	2.03	2.67	2.6
	Days sales outstanding	165	151	179.80	136.70	140.38
	Average inventory turnover (Times)	3.4	4.24	2.64	2.46	2.33
	Average payment turnover (Times)	2.96	3.45	2.16	2.69	2.18
	Average inventory turnover days	107	86	138.25	148.37	156.65
	Property, plant and equipment turnover (Times)	5.04	7.23	7.50	8.77	7.81
	Total assets turnover (Times)	0.59	0.78	0.65	0.77	0.76
Profitability analysis	Return on total assets (%)	2.46	5.25	5.56	3.93	6.66
	Return on equity attributable to owners of the parent (%)	3.92	9.14	11.55	8.96	15.04
	Pre-tax income to paid-in capital (%)	8.4	18.49	23.18	20.48	29.79
	Net margin (%)	3.87	6.47	8.15	4.76	8.33
	Earnings per share (NT$)	0.42	1.2	1.58	1.21	2.24
Cash flow	Cash flow ratio (%)	3.57	2.11	19.14	8.54	6.79
	Cash flow adequacy ratio (%)	179.39	115.18	130.45	72.83	51.41
	Cash flow reinvestment ratio (%)	—	—	14.48	—	—
Leverage	Operating leverage	2.33	1.13	1.18	1.17	1.38
	Financial leverage	1.19	1.04	1.04	1.04	1.05

Changes that exceed 20% in the past two years and explanation for those changes:

1. Current ratio: Due to a decrease in inventories and prepayments in 2018.
2. Times interest earned: Due to a significant increase in income before tax in 2018.
3. Return on assets, return on equity, ratio of income before tax to paid-in capital, net margin, and earnings per share: Due to a significant decrease in non-operating foreign exchange gains and losses of invested companies accounted for using equity method in 2018.
4. Cash flow ratio and cash flow adequacy ratio: Due to a decrease in net cash flow generated from operating activities in 2018.

2.2 Financial Analysis – Parent Company

Item	Year（Note 1）	Financial Analysis from 2014 to 2018				
		2014	2015	2016	2017	2018
Capital structure analysis	Debt ratio（%）	38.41	44.21	57.89	56.66	54.30
	Long-term fund to property, plant and equipment ratio（%）	591.72	589.65	605.03	590.00	677.60
Liquidity analysis	Current ratio（%）	156.03	138.06	116.39	123.44	143.36
	Quick ratio（%）	127.9	108.16	81.74	72.94	102.93
	Times interest earned (Times)	10.87	23.38	27.44	19.07	26.7
Operating performance analysis	Average collection turnover (Times)	2.04	2.43	2.03	2.78	2.65
	Days sales outstanding	179	150	179.80	131.29	137.73
	Average inventory turnover (Times)	3.57	4.93	2.77	2.47	2.43
	Average payment turnover (Times)	2.65	3.15	1.83	1.99	2.05
	Average inventory turnover days	102	74	131.76	147.77	150.2
	Property, plant and equipment turnover (Times)	3.56	5.48	5.92	8.87	9.2
	Total assets turnover (Times)	0.43	0.62	0.53	0.7	0.73
Profitability analysis	Return on total assets (%)	2.1	5.24	5.59	4.00	7.38
	Return on equity attributable to owners of the parent (%)	3.05	8.57	11.22	8.80	15.96
	Pre-tax income to paid-in capital (%)	5.1	13.87	18.24	16.30	25.04
	Net margin (%)	4.4	8.12	10.04	5.30	9.66
	Earnings per share (NT$)	0.42	1.2	1.58	1.21	2.24
Cash flow	Cash flow ratio (%)	16.55	2.18	15.91	5.53	5.36
	Cash flow adequacy ratio (%)	191.69	110.25	120.92	74.37	48.02
	Cash flow reinvestment ratio (%)	6.19	—	17.18	—	—
Leverage	Operating leverage	—	1.12	1.13	1.1	1.37
	Financial leverage	0.69	1.07	1.05	1.03	1.05

Changes that exceed 20% in the past two years and explanation for those changes:

1. Quick ratio: Due to a decrease in inventories in 2018.
2. Times interest earned: Due to a significant increase in income before tax in 2018.
3. Return on assets, return on equity, ratio of income before tax to paid-in capital, net margin, and earnings per share: Due to a significant decrease in non-operating foreign exchange gains and losses of invested companies accounted for using equity method in 2018.
4. Cash flow adequacy ratio: Due to a decrease in net cash flow generated from operating activities in 2018.
5. Operating leverage: Due to an increase in cost of sales in 2018.

Note 1：Financial analysis formula:

1. Capital Structure Analysis:

(1). Debt ratio = Total liabilities / Total assets

(2). Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity Analysis:

(1). Current ratio = Current assets / Current liabilities

(2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities

(3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

(1). Average collection turnover(includes account receivable and note receivable due to operating generated) = Net sales / Average account receivables(includes account receivable and note receivable due to operating generated).

(2). Days sales outstanding = 365 / Average collection turnover

(3). Average inventory turnover = Operating costs / Average inventory

(4). Average payment turnover(includes account payable and note payable due to operating generated). = operating costs / Average account payables(includes account payable and note payable due to operating generated).

(5). Average inventory turnover days = 365 / Average inventory turnover

(6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment

(7). Total assets turnover = Net sales /Average total assets

4. Profitability Analysis:

(1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets

(2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent

(3). Net margin = Net income / Net sales

(4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

(1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities

(2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

(1). Operating leverage = (Net sales – variable costs and expenses) / Operating income

(2). Financial leverage = Operating income / (Operating income – interest expenses)

3.Audit Committee’s Review Report

Gallant Precision Machining Co., Ltd.

Audit Committee’s Review Report

The Board of Directors has prepared the Company’s 2018 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Kwok-ah Tsang & LI TIEN YI was retained to audit GPM’s Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Gallant Precision Machining Co., Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Chairman of Audit Committee：

May 08 , 2019

4. Financial Statements and Independent Auditors′ Report- Parent Company

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, 2018 and 2017, 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 matters 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 , 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China ("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 NT1,038,322 thousand and NT81,226 thousand as of December 31, 2018 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(16) of the parent company only financial statements for accounting policies on revenue recognition and the detail of revenue information. Effects of initial application of IFRS 15“Revenue from contracts with customers” please refer to Note 12(5) of the parent company only financial statements.

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 expressed 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 NT27,337 thousand and NT66,761 thousand, constituting 1% and 1% of the total assets as of December 31, 2018 and 2017, respectively, and its share of the loss amounting to NT(39,424) thousand and NT(122,847) thousand, constituting (11.40%) and (69.44%) 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, 2018 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 26, 2019

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 621,590	12	$ 475,480	9
1110	Financial assets at fair value through profit or loss - current	6(2)	278,730	5	32,676	1
1136	Financial assets at amortized cost - current	6(3)	177,328	3	-	-
1147	Investments in debt instrument without active markets - current		-	-	148,170	3
1150	Notes receivable, net	6(4)	503	-	2,317	-
1170	Accounts receivable, net	6(4)	1,417,626	27	1,226,079	24
1200	Other receivables		2,566	-	317	-
1210	Other receivables - related parties	7	1,218	-	4,261	-
130X	Inventories, net	6(5)	957,096	18	1,284,856	25
1410	Prepayments		18,802	1	14,624	-
1470	Other current assets	8	5,717	-	8,613	-
11XX	**Current Assets**		3,481,176	66	3,197,393	62
	Non-current assets					
1523	Available-for-sale financial assets – non-current		-	-	11,627	1
1535	Financial assets at amortized cost - non-current	6(3) and 8	8,345	-	-	-
1550	Investments accounted for using equity method	6(6)	1,270,202	24	1,333,956	26
1600	Property, plant and equipment, net	6(7) and 8	412,781	8	418,710	8
1780	Intangible assets, net		48,567	1	85,178	2
1840	Deferred income tax assets	6(22)	66,056	1	60,118	1
1900	Other non-current assets	8	3,939	-	11,685	-
15XX	**Non-current assets**		1,809,890	34	1,921,274	38
1XXX	**Total assets**		$ 5,291,066	100	$ 5,118,667	100

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term loans	6(8)	$ 585,121	11	$ 554,730	11
2130	Contract liabilities-current	6(16)	45,666	1	-	-
2170	Accounts payable	6(9)	1,338,983	25	1,427,417	28
2180	Accounts payable - related parties	7	-	-	4,417	-
2200	Other payables		272,514	5	226,158	4
2230	Current income tax liabilities	6(22)	21,838	1	53,131	1
2250	Provisions for liabilities - current		150,132	3	145,491	3
2300	Other current liabilities	6(10) (11)	13,933	-	178,716	4
21XX	**Current Liabilities**		2,428,187	46	2,590,060	51
	Non-current liabilities					
2527	Contract liabilities-non-current	6(16)	5,422	-	-	-
2540	long-term loans	6(10)	379,403	7	252,379	5
2570	Deferred income tax liabilities	6(22)	6,338	-	-	-
2600	Other non-current liabilities	6(11)	54,090	1	58,186	1
25XX	**Non-current liabilities**		445,253	8	310,565	6
2XXX	**Total Liabilities**		2,873,440	54	2,900,625	57
	Equity					
	Share capital	6(12)				
3110	Share capital - common stock		1,651,361	31	1,651,361	32
	Capital surplus	6(13)				
3200	Capital surplus		199,091	3	186,765	4
	Retained earnings	6(14)(15)				
3310	Legal reserve		86,712	2	66,921	1
3320	Special reserve		132,987	3	178,169	3
3350	Unappropriated retained earnings		379,946	7	197,905	4
	Other equity interest	6(15)				
3400	Other equity interest		(32,471)	-	(63,079)	(1)
3XXX	**Total equity**		2,417,626	46	2,218,042	43
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	**Total liabilities and equity**		$ 5,291,066	100	$ 5,118,667	100

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(16) and 7	$ 3,827,468	100	$ 3,771,317	100
5000	**Operating costs**	6(5)(20)	(2,910,329)	(76)	(2,787,234)	(74)
5900	**Operating margin**		917,139	24	984,083	26
5910	Unrealized profit from sales		(80)	-	(178)	-
5920	Realized profit from sales		178	-	53	-
5950	**Net operating margin**		917,237	24	983,958	26
	Operating expenses	6(20)(21)				
6100	Selling expenses		(113,859)	(3)	(139,129)	(4)
6200	General and administrative expenses		(253,845)	(7)	(202,725)	(5)
6300	Research and development expenses		(232,343)	(6)	(221,375)	(6)
6450	Impairment loss (gain)		23,043	1	-	-
6000	**Total operating expenses**		(577,004)	(15)	(563,229)	(15)
6900	**Operating profit**		340,233	9	420,729	11
	Non-operating income and expenses					
7010	Other income	6(17)	57,122	1	64,428	2
7020	Other gains and losses	6(18)	28,225	1	(34,705)	(1)
7050	Finance costs	6(19)	(17,995)	-	(15,366)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	5,968	-	(165,822)	(4)
7000	**Total non-operating income and expenses**		73,320	2	(151,465)	(4)
7900	**Profit before tax**		413,553	11	269,264	7
7950	Income tax expense	6(22)	(43,448)	(1)	(69,012)	(2)
8200	**Profit for the year**		$ 370,105	10	$ 200,252	5
	Other comprehensive income for the year					
	Components of other comprehensive income that will not be reclassified to profit or loss	6(15)				
8311	Remeasurement of defined benefit obligation		($ 3,131)	-	($ 5,409)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income		7,374	-	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method		-	-	(44)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(9,313)	-	-	-
8310	**Components that will not be reclassified subsequently to profit or loss:**		(5,070)	-	(5,453)	-
	Components of other comprehensive income that may be reclassified subsequently to profit or loss	6(15)				
8361	Cumulative translation differences of foreign operations		(19,099)	(1)	(12,789)	-
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets		-	-	(4,934)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method		-	-	(174)	-
8360	**Components of other comprehensive income that may be reclassified subsequently to profit or loss**		(19,099)	(1)	(17,897)	-
8300	**Other comprehensive income (loss) for the year**		($ 24,169)	(1)	($ 23,350)	-
8500	**Total comprehensive income for the year**		$ 345,936	9	$ 176,902	5
	Basic earnings per share	6(23)				
9750	**Basic earnings per share**		$	2.24	$	1.21
	Diluted earnings per share	6(23)				
9850	**Diluted earnings per share**		$	2.20	$	1.20

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other equity			
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
For the year ended December 31, 2017										
Balance at January 1, 2017		$ 1,651,361	$ 242,949	$ 40,850	$ 132,987	$ 305,550	($ 32,398)	$ -	($ 12,784)	$ 2,328,515
Profit for the year		-	-	-	-	200,252	-	-	-	200,252
Other comprehensive income for the year	6(15)	-	-	-	-	(5,453)	(12,789)	-	(5,108)	(23,350)
Total comprehensive income for the year		-	-	-	-	194,799	(12,789)	-	(5,108)	176,902
Distribution of 2016 earnings										
Legal reserve		-	-	26,071	-	(26,071)	-	-	-	-
Special reserve		-	-	-	45,182	(45,182)	-	-	-	-
Cash dividends	6(14)	-	-	-	-	(231,191)	-	-	-	(231,191)
Capital reserve-distribute cash	6(13)	-	(66,055)	-	-	-	-	-	-	(66,055)
Difference between the price for acquisition of subsidiaries and carrying amount	6(24)	-	9,871	-	-	-	-	-	-	9,871
Balance at December 31, 2017		$ 1,651,361	$ 186,765	$ 66,921	$ 178,169	$ 197,905	($ 45,187)	$ -	($ 17,892)	$ 2,218,042
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
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(15)	-	-	-	-	(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	6(14)	-	-	-	-	(200,966)	-	-	-	(200,966)
Effect of changes in the net equity of subsidiary accounted for under equity method	6(13)	-	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

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 413,553	$ 269,264
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(20)	16,400	15,895
Amortization	6(20)	39,667	29,676
Net gain on financial assets or liabilities at fair value through profit or loss	6(18)	(2,276)	(2,538)
Loss on disposal of available-for-sale financial assets	6(18)	-	694
Expected credit loss (gain)/ Provision for doubtful accounts	12(2) (5)	(23,043)	37,045
Interest expense	6(19)	17,995	15,366
Interest income	6(17)	(2,937)	(1,779)
Share of profits of associates and joint ventures accounted for using equity method		(5,968)	165,822
Property, plant and equipment transferred to expenses		1,648	-
Unrealized loss from sales		80	178
Realized (profits) loss from sales		(178)	(53)
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		(243,778)	352,987
Notes receivable		1,814	29,613
Accounts receivable		(168,504)	(55,538)
Accounts receivable - related parties		-	1,991
Other receivables		1,273	3,119
Other receivables - related parties		-	12,456
Inventories		327,760	(339,900)
Prepayments		(4,178)	12,283
Other current assets		1,305	(448)
Net changes in liabilities relating to operating activities			
Contract liabilities		(93,425)	-
Accounts payable		(88,434)	62,339
Accounts payable - related parties		(4,417)	4,416
Other payables		41,615	(63,220)
Provisions for liabilities		4,641	(6,276)
Unearned receipts		(752)	(321,139)
Other current liabilities		375	542
Accrued pension liabilities		(5,559)	(7,936)
Cash generated from operations		224,677	214,859
Income tax paid		(80,680)	(58,452)
Interest received		2,458	1,957
Interest paid		(16,162)	(14,918)
Net cash provided by operating activities		130,293	143,446

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of bond investments without active markets		$ -	$ 74,453
Acquisition of financial assets at amortized cost		(27,608)	-
Decrease in other financial assets - current		-	11,309
Decrease in other financial assets - non-current		-	4,887
Proceeds from disposal of financial assets		13,955	1,054
Acquisition of investments accounted for using equity method		(30,900)	(34,203)
Proceeds from disposal of investments accounted for using equity method		-	41,036
Proceeds from decrease capital of investments accounted for using equity method		89,790	-
Acquisition of property, plant and equipment	6(26)	(10,768)	(4,975)
Proceeds from disposal of property, plant and equipment		-	240
Acquisition of intangible assets		(1,498)	(616)
Refundable deposits refunded		(557)	(52)
Dividends received from investments accounted for using equity method		48,515	60,202
Net cash provided by (used in) investing activities		80,929	153,335
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(27)	1,306,798	1,798,741
Repayment of short-term loans	6(27)	(1,276,407)	(1,766,163)
Increase in long-term loans	6(27)	350,000	-
Repayment of long-term loans	6(27)	(242,869)	(27,771)
Guarantee deposits received		(1,668)	(23)
Payment of cash dividends		(200,966)	(297,246)
Net cash used in financing activities		(65,112)	(292,462)
Net increase in cash and cash equivalents		146,110	4,319
Cash and cash equivalents at beginning of year	6(1)	475,480	471,161
Cash and cash equivalents at end of year	6(1)	$ 621,590	$ 475,480

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

GALLANT PRECISION MACHINING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. HISTORY AND ORGANIZATION

Gallant Precision Machining Co., Ltd. (the Company) was incorporated on December 22, 1978. The Company are engaged in the design, manufacture and sale of molds and machinery, metal parts and mold parts, stamping parts and die-cast parts, and automated manufacturing systems and their unit equipment, as well as the management and investment in the relevant business.

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

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

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company’s stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011. The equity interest in Gallant Micro. Machining Co., Ltd. held by the Company as of December 31, 2018 was 57.19%.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the followings items, the above standards and interpretations have no significant impact to the Company financial condition and operating result based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) In adopting the new standards endorsed by the FSC effective from 2018, the Company applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 refer to Note 12(4) 2 and 3.

B. IFRS 15, 'Revenue from contracts with customers'

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 15. The Group has elected to apply simple retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings. The significant effects of applying the new standards as of January 1, 2018 as summarized below：

Consolidated balance sheet Affected items	Book value under previous revenue standard	Adjustment for initial application of IFRS15	Adjusted amount after IFRS15 adoption	Remark
January 1, 2018				
Contract liabilities	$ -	$ 144,513	$ 144,513	A
Other non-current liabilities	144,513	(144,513)	-	A
	$ 144,513	$ -	$ 144,513	

i . Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to $144,513.

ii. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRS 23, 'Uncertainty over Income Tax Treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the followings, the above standards and interpretations have no significant impact to the Company financial condition and operating result based on the Company assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intends not to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), on January 1, 2019, it is expected that 'right-of-use asset'and lease liability will be increased by $221,055.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance Contracts'	January 1, 2021

Except for the followings, the above standards and interpretations have no significant impact to the Company financial condition and operating result based on the Company assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

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

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

C. In adopting IFRS 9 and IFRS 15 effective from January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the parent company only financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(5) Financial assets at fair value through profit or loss

Effective from 2018

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

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

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

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

Effective from 2018

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

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

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

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

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

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

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(7) Financial assets at amortised cost

Effective from 2018

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

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

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

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

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

(8) Accounts and notes receivable

Effective from 2018

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

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

(9) Impairment of financial assets

Effective from 2018

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

(10) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

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

(13) Investments accounted for using equity method / subsidiaries and associates

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

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

C. The Company’s share of its subsidiaries’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acqusition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.

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

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

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

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

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

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

J. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the parent company only financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the parent company only financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(14) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structures	10 ~ 50 years
Machinery and equipment	8 years
Furniture and fixtures	3~ 10 years
Other equipment	5 ~ 15 years

(15) Leased assets/ leases (lessee)

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

(16) Intangible assets

A. Computer software

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

B. Other intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

Effective from 2018

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

(19) Notes and accounts payable

Effective from 2018

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

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

(20) Derecognition of financial liabilities

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

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

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

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

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

(23) Income tax

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

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

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

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

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

(24) <u>Share capital</u>

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

(25) <u>Dividends</u>

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

(26) <u>Revenue recognition</u>

<u>Effective from 2018</u>

A. Sales of goods

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

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

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

B. Sales of services

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

(27) Government grants

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories was $957,096.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 161	$ 129
Checking accounts	26	26
Demand deposits	621,403	475,325
Total	$ 621,590	$ 475,480

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

B. As of December 31, 2018, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-current and financial assets at amortised cost-non-current. As of December 31, 2017 , the Company was classified as other financial assets-current and other non-current financial assets in note 8.

(2) Financial assets / liabilities at fair value through profit or loss

Effective from 2018

Items	December 31, 2018
Current items:	
Financial assets mandatorily at fair value through profit or loss	
Beneficiary certificates	$ 277,914
Valuation adjustment	816
	$ 278,730

A. The Company recognized net gain of $2,276 on financial assets and liabilities designated as at fair value through profit or loss for the year ended December 31, 2018.

B. The Company has no financial assets at fair value through profit or loss pledged to others.

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

D. Information on December 31, 2017, are provided in Note 12(4).

(3) Financial assets at amortized cost

Effective from 2018

Items	December 31, 2018
Current items:	
Time deposits	$ 177,328
Non-current items:	
Time deposits	8,345
	$ 185,673

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

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

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

D. Information on December 31, 2017, are provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 503	$ 2,317
Accounts receivable	$ 1,513,742	$ 1,361,660
Less: allowance for bad debts	(96,116)	(135,581)
	$ 1,417,626	$ 1,226,079

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

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Withou past due	$ 1,275,090	$ 503	$ 1,061,628	$ 2,317
Up to 30 days	15,501	-	29,315	-
31 to 90 days	88,434	-	30,446	-
91 to 180 days	34,606	-	92,864	-
Over 181 days	100,111	-	147,407	-
	$ 1,513,742	$ 503	$ 1,361,660	$ 2,317

The above ageing analysis was based on past due date.

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

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

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 75,534	($ 6,229)	$ 69,305
Work in progress	947,819	(74,995)	872,824
Finished goods	14,937	(2)	14,935
Inventory in transit	32	-	32
Total	$ 1,038,322	($ 81,226)	$ 957,096

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 42,122	($ 6,915)	$ 35,207
Work in progress	589,095	(3,560)	585,535
Finished goods	663,807	(51)	663,756
Inventory in transit	358	-	358
Total	$ 1,295,382	($ 10,526)	$ 1,284,856

The cost of inventories recognized as expense for the year:

		Year ended December 31, 2018		Year ended December 31, 2017
Cost of goods sold	$	2,838,784	$	2,787,273
Gain on reversal of decline in market value		70,700	(	2,185)
Loss on disposal inventory		845		2,146
	$	2,910,329	$	2,787,234

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

(6) Investments accounted for using equity method

		December 31, 2018		December 31, 2017
Gallant-Rapid Corporation Ltd. (the "GRC")	$	265,042	$	302,516
Gallant Precision Machinery (BVI) Ltd.(the GPM(BVI)")		377,157		385,144
APEX-I International Co., Ltd.		66,099		66,010
Chun-Zhun Enterprise Corporation Ltd. (the "CZE")		11,943		12,527
Sunengine Co., Ltd.		27,337		66,761
Gallant Micro. Machining Co., Ltd.		524,136		502,510
		1,271,714		1,335,468
Accumulated impairment	(	1,512)	(	1,512)
	$	1,270,202	$	1,333,956

A. Investments in subsidiaries

Information about the Company's subsidiaries is provided in Note 4(3) of the 2018 consolidated financial statements.

B. Associates

(a) The basic information of the associates that are material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio December 31, 2018	Shareholding ratio December 31, 2017	Nature of relationship	Methods of measurement
Sunengine Co., Ltd.	Taiwan	37.84%	37.84%	Business strategy	Equity method

(b) The summarized financial information of the associates that are material to the Company is as below:

Balance sheet

	Sunengine Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 44,275	$ 162,599
Non-current assets	17,748	4,412
Current liabilities	(11,468)	(12,522)
Non-current liabilities	(293)	(38)
Total net assets	$ 50,262	$ 154,451
Share in associate's net assets	$ 19,019	$ 58,443
Goodwill	8,318	8,318
Carrying amount of the associate	$ 27,337	$ 66,761

Statement of comprehensive income

	Sunengine Co., Ltd.	
	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	$ 58,910	$ 344,061
Profit for the year from continuing operations	($ 104,189)	($ 325,109)
Profit or loss for the year from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	($ 104,189)	($ 325,109)
Dividends received from associates	$ -	$ -

(c) The carrying amount of the Company’s interests in all individually immaterial associates and the Company’s share of the operating results are summarized below:None.

(7) Property, plant and equipment

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leased assets	Others	Total
At January 1, 2018							
Cost	$ 427,430	$ 1,662	$ 377	$ 1,178	$ 116,753	$ 20,470	$ 567,870
Accumulated depreciation and impairment	(112,701)	(1,281)	(176)	(745)	(25,590)	(8,667)	(149,160)
	$ 314,729	$ 381	$ 201	$ 433	$ 91,163	$ 11,803	$ 418,710
2018							
Opening net book amount as at January 1	$ 314,729	$ 381	$ 201	$ 433	$ 91,163	$ 11,803	$ 418,710
Additions	-	2,011	4,350	-	-	5,758	12,119
Disposals	-	(104)	(205)	-	-	(564)	(873)
Reclassifications	39,328	4,115	3,982	-	(39,328)	(8,872)	(775)
Depreciation charge	(10,115)	(883)	(2,842)	(196)	(1,209)	(1,155)	(16,400)
Closing net book amount as at December 31	$ 343,942	$ 5,520	$ 5,486	$ 237	$ 50,626	$ 6,970	$ 412,781
At December, 31, 2018							
Cost	$ 477,490	$ 8,863	$ 12,989	$ 1,178	$ 66,693	$ 10,255	$ 577,468
Accumulated depreciation and impairment	(133,548)	(3,343)	(7,503)	(941)	(16,067)	(3,285)	(164,687)
	$ 343,942	$ 5,520	$ 5,486	$ 237	$ 50,626	$ 6,970	$ 412,781

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leased assets	Others	Total
At January 1, 2017							
Cost	$ 427,430	$ 8,356	$ 898	$ 1,736	$ 116,753	$ 19,717	$ 574,890
Accumulated depreciation and impairment	(103,796)	(7,508)	(554)	(859)	(23,172)	(7,821)	(143,710)
	$ 323,634	$ 848	$ 344	$ 877	$ 93,581	$ 11,896	$ 431,180
2017							
Opening net book amount as at January 1	$ 323,634	$ 848	$ 344	$ 877	$ 93,581	$ 11,896	$ 431,180
Additions	-	-	-	-	-	3,665	3,665
Disposals	-	-	-	(240)	-	-	(240)
Depreciation charge	(8,905)	(467)	(143)	(204)	(2,418)	(3,758)	(15,895)
Closing net book amount as at December 31	$ 314,729	$ 381	$ 201	$ 433	$ 91,163	$ 11,803	$ 418,710
At December, 31, 2017							
Cost	$ 427,430	$ 1,662	$ 377	$ 1,178	$ 116,753	$ 20,470	$ 567,870
Accumulated depreciation and impairment	(112,701)	(1,281)	(176)	(745)	(25,590)	(8,667)	(149,160)
	$ 314,729	$ 381	$ 201	$ 433	$ 91,163	$ 11,803	$ 418,710

A. Amount of borrowing costs capitalized as part of property, plant and equipment were $0 and $0 for the years ended December 31, 2018 and 2017, respectively.

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

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

(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Unsecured Banking Loan	$ 585,121	3.20%~3.83%	None

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Unsecured Banking Loan	$ 554,730	1.07%~2.91%	None

(9) Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 1,199,083	$ 1,228,647
Accrued accounts payable	139,900	198,770
	$ 1,338,983	$ 1,427,417

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	$ 30,025
Unsecured borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	8,013
Mortgage borrowings	Borrowing period is from September 25, 2018 to September 24, 2020; interest is repayable monthly and principal is repayable in September, 2020.	1.40%	Note A、Note B	350,000
				388,038
Less: current portion				(8,635)
				$ 379,403

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	$ 36,240
Unsecured borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	9,667
Mortgage	Borrowing period is from September	1.39%	Note A、	235,000

borrowings	15, 2014 to September 15, 2019; interest is repayable monthly and principal is repayable through December, 2014 to September, 2019.	Note C	
			280,907
Less: current portion			(28,528)
			$ 252,379

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

Note B:

(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to $800 million with China Trust Commercial Bank on September 11, 2018. The Company also applied for a drawdown of $220,000 and $130,000 from the credit line granted by China Trust Commercial Bank in September and October, 2018, respectively.

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).

ii . Gearing ratio: the ratio of total liabilities divided by tangible net worth shall not be more than 120%.

iii. Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.

iv. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT$2,200,000 (inclusive).

Note C:

(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to $720 million with China Trust Commercial Bank on September 3, 2014. The Company also applied for a drawdown of $300,000 from the credit line granted by China Trust Commercial Bank in September 2014. The borrowings has been repaid in September 2018

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).

ii . Gearing ratio: the ratio of total liabilities divided by tangible net worth shall not be more than 120%.

iii. Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.

iv. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT$2,200,000 (inclusive).

(11) Pensions

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

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 78,111)	($ 73,123)
Fair value of plan assets	26,372	18,942
Net defined benefit liability	($ 51,739)	($ 54,181)

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

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 73,123)	$ 18,942	($ 54,181)
Current service cost	(540)	-	(540)
Interest (expense) income	(912)	283	(629)
	(74,575)	19,225	(55,350)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	404	404
Change in financial assumptions	(1,927)	-	(1,927)
Change in demographic assumptions	(384)	-	(384)
Experience adjustments	(1,225)	-	(1,225)
	(3,536)	404	(3,132)
Pension fund contribution	-	6,743	6,743
Paid pension	-	-	-

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
Balance at December 31	($ 78,111)	$ 26,372	($ 51,739)

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 68,874)	$ 12,166	($ 56,708)
Current service cost	(857)	-	(857)
Interest (expense) income	(1,025)	234	(791)
Past service cost	2,937	-	2,937
	(67,819)	12,400	(55,419)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(105)	(105)
Change in financial assumptions	(1,992)	-	(1,992)
Change in demographic assumptions	(942)	-	(942)
Experience adjustments	(2,370)	-	(2,370)
	(5,304)	(105)	(5,409)
Pension fund contribution	-	6,647	6,647
Paid pension	-	-	-
Balance at December 31	($ 73,123)	$ 18,942	($ 54,181)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	1.00%	1.25%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 1,941)	$ 2,024	$ 1,999	($ 1,927)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 1,904)	$ 1,987	$ 1,967	($ 1,895)

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

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2019 amount to $8,141.

(h) As of December 31, 2018, the weighted average duration of that retirement plan is 10 year. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 1,684
1-2 year(s)	17,573
2-5 years	6,201
Over 5 years	59,095
	$ 84,553

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

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $17,801 and $15,965, respectively.

(12) Share capital

As of December 31, 2018, the Company’s authorized capital was $2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was $1,651,361 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

Unit: shares in thousands

	Year ended December 31, 2018	Year ended December 31, 2017
At January 1/At December 31	165,136	165,136

(13) Capital surplus

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

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Employee stock option	Total
At January 1, 2018	$ 127,167	$ 31,399	$ 11,750	$ 12,003	$ 4,446	$ 186,765
Effect of changes in the net equity of subsidiary accounted for under equity method	-	-	-	12,326	-	12,326
At December 31, 2018	$ 127,167	$ 31,399	$ 11,750	$ 24,329	$ 4,446	$ 199,091

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Employee stock option	Total
At January 1, 2017	$ 193,222	$ 31,399	$ 1,879	$ 12,003	$ 4,446	$ 242,949
Capital surplus used to issue cash to shareholders	(66,055)	-	-	-	-	(66,055)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	9,871	-	-	9,871
At December 31, 2017	$ 127,167	$ 31,399	$ 11,750	$ 12,003	$ 4,446	$ 186,765

(14) Retained earnings

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

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

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

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

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

D. On June 22, 2018 and June 16, 2017, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2017 and 2016 were as following:

	2017		2016	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	$ 19,791	$ -	$ 26,071	$ -
Special reserve	(45,182)	-	45,182	-
Cash dividends	200,966	1.217	231,391	1.4
Total	$ 175,575	$ 1.217	$ 302,644	$ 1.4

E. On March 26, 2019, the Board of Directors proposed for the distribution of dividends from 2018 earnings amounting to $214,677($1.3 (in dollars) per share).

F. The shareholders resolved that capital surplus used to distribute cash for the distribution of 2016 earning was $66,055($0.4 (in dollars) per share), on June 16, 2017.

G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration please refer to Note 6(21).

(15) Other equity items

	Year ended December 31, 2018		
	Available-for-sale investment	Currency translation	Total
At January 1	($ 17,892)	($ 45,187)	($ 63,079)
Effects of retrospective application			-
Revaluation	42,288	-	42,288
Revaluation transferred to retained earnings	(5,032)	-	(5,032)
Revaluation	(1,939)	-	(1,939)
Disposal transferred to retained earnings	14,390	-	14,390
Currency translation differences:–group	-	(19,099)	(19,099)
At December 31	$ 31,815	($ 64,286)	($ 32,471)

	Year ended December 31, 2017		
	Available-for-sale investment	Currency translation	Total
At January 1	($ 12,784)	($ 32,398)	($ 45,182)
Revaluation	(4,934)	-	(4,934)
Revaluation –Subsidiary	(174)	-	(174)
Currency translation differences:	-	(12,789)	(12,789)
At December 31	($ 17,892)	($ 45,187)	($ 63,079)

(16) Operating revenue

	Year ended December 31, 2018
Revenue from Contracts with Customers	$ 3,827,468

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2018	Taiwan	China	Other	Total
Revenue from external customer contracts	$ 1,548,483	$ 2,201,175	$ 77,810	$ 3,827,468
Timing of revenue recognition				
At a point in time	$ 1,536,935	$ 2,195,429	$ 77,157	$ 3,809,521
Over time	11,548	5,746	653	17,947
	$ 1,548,483	$ 2,201,175	$ 77,810	$ 3,827,468

B. Contract liabilities

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

	December 31, 2018
Contract liabilities:	
Contract liabilities-Deposit	$ 51,088

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

	Year ended December 31, 2018

Revenue recognised that was included in the contract liability balance at the beginning of the period	
Deposit	$ 144,513
Total	$ 144,513

D. Related disclosures for the year ended December 31, 2017 operating revenue are provided in Note 12(5).

(17) Other income

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income	$ 2,937	$ 1,779
Rental revenue	16,424	25,742
Government subsidy income	17,825	22,736
Others	19,936	14,171
Total	$ 57,122	$ 64,428

(18) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Net gains on financial assets and liabilities at fair value through profit or loss	$ 2,276	$ 2,538
Net currency exchange (losses) gains	25,949	(36,549)
Losses on disposal of available-for-sale financial assets	-	(694)
Total	$ 28,225	($ 34,705)

(19) Finance costs

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expense	$ 17,995	$ 15,366

(20) Expenses by nature

	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefit expense	$ 578,693	$ 494,609
Depreciation charges on property, plant and equipment	$ 16,400	$ 15,895
Amortization charges on intangible assets	$ 39,667	$ 29,676

(21) Employee benefit expense

	Year ended December 31, 2018	Year ended December 31, 2017
Wages and salaries	$ 506,917	$ 431,689
Labour and health insurance fees	33,733	31,079
Pension costs	18,969	14,675
Other personnel expenses	19,074	17,166

	$ 578,693	$ 494,609

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

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

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $54,418 and $24,301, respectively; while directors' and supervisors' remuneration was accrued at $9,567 and $4,832, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11% and 2% of distributable profit of current year for the year ended December 31, 2018.

The employees' compensation and directors' and supervisors' remuneration for 2017 resolved by the Board of Directors on March 27, 2018 were $24,301 and $4,832, respectively, which were $165 difference from those amounts recognized in the 2017 financial statements. The differences had been adjusted and recognized in the 2018 financial statements. The amount of directors' and supervisors' remuneration was in agreement with those amounts recognized in the 2017 financial statements.

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 59,889	$ 76,174
Tax on undistributed surplus earnings	-	311
Prior year income tax (over) underestimation	(10,503)	2,697
Total current tax	49,386	79,182
Deferred tax:		
Origination and reversal of temporary differences	4,765	(10,170)
Impact of changing in tax rate	(10,703)	-
Total deferred tax	(5,938)	(10,170)
Income tax expense	$ 43,448	$ 69,012

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

	Year ended	Year ended

	December 31, 2018	December 31, 2017
Share of other comprehensive income of associates	($ 9,314)	$ -

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 82,711	$ 45,775
Tax exempt income by tax regulation	-	117
Change in assessment of realisation of deferred tax assets	(18,057)	20,112
Prior year income tax (over) underestimation	(10,503)	2,697
Impact of changing in tax rate	(10,703)	-
Tax on undistributed earnings	-	311
Tax expenses	$ 43,448	$ 69,012

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	$ 20,730	($ 4,535)	$ -	$ 16,195
Inventory obsolescence and market price decline	1,790	14,455	-	16,245
Warranty provision	24,734	5,293	-	30,027
Accrued pension cost	5,674	(111)	-	5,563
Others	7,190	(9,164)	-	(1,974)
Subtotal	60,118	5,938	-	66,056
Deferred tax liabilities:				
Unrealized gain of financial assets at fair value through other comprehensive income	-	-	(6,338)	(6,338)
Subtotal	-	-	(6,338)	(6,338)
Total	$ 60,118	$ 5,938	($ 6,338)	$ 59,718

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	$ 14,473	$ 6,257	$ -	$ 20,730
Inventory obsolescence and market price decline	2,161	(371)	-	1,790
Warranty provision	25,801	(1,067)	-	24,734
Accrued pension cost	7,023	(1,349)	-	5,674
Others	490	6,700	-	7,190
Total	$ 49,948	$ 10,170	$ -	$ 60,118

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 70,541	$ 54,915

E. The Company’s income tax returns through 2015 have been assessed and approved by the Tax Authority.

F. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. The Group has accessed the impact of the change in income tax rate.

(23) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 370,105	165,136	$ 2.24
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	2,799	
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 370,105	167,935	$ 2.20

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 200,252	165,136	$ 1.21
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	1,495	
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 200,252	166,631	$ 1.20

(24) Transactions with non-controlling interest

A.The Company did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary

Subsidiary Gallant Micro. Machining Co., Ltd. of the Group increased capital by issuing new shares on Oct 1, 2018. The Group did not acquire shares proportionally to its interest.As a result, the Group decreased 5.69% interest of shares. The transaction increased non-controlling interest by $87,207 and decreased the equity attributable to owners of parent by $12,326. The effect of changes in interests in Gallant Micro. Machining Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2018 is shown below:

	Year ended December 31, 2018
Cash	$ 99,533

Increase in the carrying amount of non-controlling interest	(87,207)
Capital surplus - recognition of changes in ownership interest in subsidiaries	($ 12,326)

B.Acquisition of additional equity interest in a subsidiary

On May 12, 2017, the Company acquired an additional 5.88% of shares of its subsidiary—APEX-I International Co., Ltd. for a total cash consideration of $3,833. The carrying amount of non-controlling interest in APEX-I International Co., Ltd. was $3,035 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $3,035 and a decrease in the equity attributable to owners of the parent by ($798). The effect of changes in interests in APEX-I International Co., Ltd. on the equity attributable to owners of the parent for the nine-month period ended September 30, 2017 is shown below:

	Year ended December 31, 2017
Carrying amount of non-controlling interest acquired	$ 3,035
Consideration paid to non-controlling interest	(3,833)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	($ 798)

C. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

On August 7, 2017, the Group disposed of 4% of shares of its subsidiary—Gallant Micro Machining Co., Ltd. for a total cash consideration of $41,036. The carrying amount of non-controlling interest in Gallant Micro Machining Co., Ltd. was $251,441 at the disposal date. This transaction resulted in an increase in the non-controlling interest by $30,367 and an increase in the equity attributable to owners of the parent by $10,669. The effect of changes in interests in Gallant Micro Machining Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2017 is shown below:

	Year ended December 31, 2017
Carrying amount of non-controlling interest disposed	$ 30,367
Consideration received from non-controlling interest	(41,036)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	($ 10,669)

(25) Operating leases

A. The Company leases Central Taiwan Science Park plant and Hsinchu Science Park office assets to others under non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 14,961	$ 15,336
Later than one year but not later than five years	34,909	49,871
	$ 49,870	$ 65,207

B. The Company leases in plant assets under non-cancellable operating lease agreements. The lease terms are between 2013 and 2036 years. The Company recognized rental expenses of $6,960 and $10,119 for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 6,770	$ 9,939
Later than one year but not later than five years	26,880	39,517
Later than five years	31,865	40,729
	$ 65,515	$ 90,185

(26) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2018	Year ended December 31, 2017
Purchase of property, plant and equipment	$ 12,119	$ 3,665
Add: opening balance of payable on equipment	375	1,685
Less: ending balance of payable on equipment	(1,726)	(375)
Cash paid during the year	$ 10,768	$ 4,975

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2018	$ 554,730	$ 280,907	$ 4,004	$ 839,641
Changes in cash flow from financing activities	30,391	107,131	(1,668)	135,854
At December 30, 2018	$ 585,121	$ 388,038	$ 2,336	$ 975,495

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
Hitachi Zosen GPM Technology（Suzhou）Co.,Ltd.	Associate
Sunengine Co., Ltd.	Associate
Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2018	Year ended December 31, 2017
Sales of goods:		
Subsidiary	$ -	$ 2,503
Associate	-	1,166
	$ -	$ 3,669

The transactions of the Company with related parties and non-related parties are subject to the terms and conditions agreed upon by both parties. The receivables to the related parties are due 90 days after the date of shipment, made on a monthly basis.

B. Purchases

	Year ended December 31, 2018		Year ended December 31, 2017	
Purchases of goods:				
Subsidiary	$	129,576	$	185,209
Associate		20,631		7,103
Subtotal	$	150,207	$	192,312

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

C. Receivables from related parties

	December 31, 2018		December 31, 2017	
Other receivables				
Subsidiary	$	1,218	$	4,261

D. Payables from related parties

	December 31, 2018		December 31, 2017	
Accounts payables:				
Subsidiary	$	-	$	4,417
Associate		8,643		4,416
Subtotal	$	8,643	$	8,833

E. Other

	Year ended December 31, 2018			Year ended December 31, 2017		
	Item	Amount		Item	Amount	
Other:	Other revenue	$	3,002	Other revenue	$	6,669
Subsidiary	Procurement service revenue	$	10,692	Procurement service revenue	$	24,415
	After sales services expense from overseas	$	48,862	After sales services expense from overseas	$	26,752

F. Endorsements and guarantees provided to related parties:

	December 31, 2018		December 31, 2017	
Subsidiaries	$	180,000	$	260,115

(3) Key management compensation

	Year ended December 31, 2018		Year ended December 31, 2017	
Salaries and other short-term employee benefits	$	17,556	$	20,907
Post-employment benefits		426		684

Total	$ 17,982	$ 21,591

8. PLEDGED ASSETS

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

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Time deposits (shown as "other current assets")	$ -	$ 1,591	Exercise guarantee for construction
Time deposits (shown as "other non-current assets")	-	8,304	Exercise guarantee for construction and customs deposit
Time deposits (shown as "financial assets at amortised cost non-current")	8,345	-	Exercise guarantee for construction and customs deposit
Property, plant and equipment	394,569	405,892	Long-term borrowings
	$ 402,914	$ 415,787	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingent liabilities

A. As of the years ended December 31, 2018 and 2017, respectively, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to $173,540 and $106,124, respectively.

B. The Company's customer, China Chongqing Chongmei Huashixin Electronic Manufacturing Co., Ltd., purchased equipment products from the Company. However the customer was unwilling to sign the confirmation of acceptance and pay the rest payment to the Company and its subsidiary due to operation issues. The case has been submitted to China Chongqing Arbitration Commission for judgment in November, 2017. In June 2018, the Arbitration Commission has rejected the claim for the payment. As the Company has recognized allowance for related bad debts from 2015 to 2017, there is no impact to the Company's operation and financial performance.

(2) Unrecognized contract commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

None.

A. Operating lease commitments: please refer to note 6 (26).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During year ended December 31, 2018, the Company's strategy, which was unchanged from 2017, was to maintain the gearing ratio within reasonable risk level. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	$ 973,159	$ 835,637
Less: Cash and cash equivalents	(621,590)	(475,480)
Net debt	351,569	360,157
Total equity	2,417,626	2,218,042
Total capital	$ 2,769,195	$ 2,578,199
Gearing ratio	12.71%	13.97%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 278,730	$ -
Financial assets held for trading	-	32,676
Financial assets at fair value through other comprehensive income		
Available-for-sale financial assets	-	11,627
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	621,590	475,480
Financial assets at amortised cost	185,673	-
Investments in debt instruments without active markets	-	148,170
Notes receivables	503	2,317
Accounts receivables	1,417,626	1,226,079
Other accounts receivables	3,784	4,578
Guarantee deposits paid	3,939	3,382
	$ 2,511,845	$ 1,904,309
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 585,121	$ 554,730
Accounts payable	1,338,983	1,427,417
Other accounts payable	272,719	226,158
Long-term borrowings (including current portion)	388,038	280,907
Guarantee deposits received	2,336	4,004
	$ 2,587,197	$ 2,493,216

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 31,377	30.715	$ 963,748
JPY:NTD	281,171	0.2782	78,222
RMB:NTD	33,817	4.472	151,229
Non-monetary items: None			
Financial liability			
Monetary items			
USD:NTD	$ 20,220	30.715	$ 621,061
JPY:NTD	309,340	0.2827	86,059
RMB:NTD	7,293	4.472	32,616
Non-monetary items : None			

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	$ 61	35.57	$ 2,158
USD:NTD	31,166	29.76	927,513
JPY:NTD	685,254	0.2642	181,044
RMB:NTD	41,781	4.565	190,732
SGD:NTD	118	22.26	2,620
Non-monetary items: None			
Financial liability			
Monetary items			
USD:NTD	$ 18,209	29.76	$ 541,899
JPY:NTD	169,939	0.2642	44,898
RMB:NTD	963	4.565	4,398
EUR:NTD	156	35.57	5,539
Non-monetary items: None			

ii. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to $25,949 and ($36,549), respectively.

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

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 9,637	$ -
JPY:NTD	1%	782	-
RMB:NTD	1%	1,512	-
Financial liability			
Monetary items			
USD:NTD	1%	($ 6,211)	$ -
JPY:NTD	1%	(861)	-
RMB:NTD	1%	(326)	-

	Year ended December 31, 2017		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	1%	$ 22	$ -
USD:NTD	1%	9,275	-
JPY:NTD	1%	1,810	-
RMB:NTD	1%	1,907	-
SGD:NTD	1%	26	-
Financial liability			
Monetary items			
USD:NTD	1%	($ 5,419)	$ -
JPY:NTD	1%	(449)	-
RMB:NTD	1%	(44)	-
EUR:NTD	1%	(55)	-

Price risk

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

B. The Company’s investments in equity securities comprise domestic listed and unlisted stocks. shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the year ended December 31, 2018 and 2017 would have increased/decreased by $2,787 and $327, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $0 and $116, respectively, as a result of gains/losses on equity securities other comprehensive income classified as available-for sale equity investment and available-for-sale financial assets equity investment at fair value thorugh other comprehensive income.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the year ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD, JPY ,USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the year ended December 31, 2018 and 2017 would have increased/decreased by $8,567 and $6,342, respectively.

(b) Credit risk

i . Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

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

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

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

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

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

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

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

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

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

viii.The Company used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

At December 31, 2018	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.26%	0.01%-13.77%	0.13%-16.87%	3.35%-100%	
Total book value	$ 1,275,090	$ 103,935	$ 7,984	$ 126,733	$1,513,742
Loss allowance	$ 708	$ 4,091	$ 1,346	$ 89,971	$ 96,116

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

	For the year ended December 31, 2018
	Accounts receivable
At January 1_IAS 39	$ 135,581
Adjustments under new standards	-
At January 1_IFRS 9	135,581
Provision for impairment	637
Reversal of impairment loss	(23,680)
Write-offs	(16,422)
At December 31	$ 96,116

The abovementioned provision amounts took positive overall economic factor and other credit enhancement into account, thus, the reversal of impairment of credit loss are $23,043 for the year ended December 31, 2018.

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

	For the year ended December 31, 2018			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost				
Group 1	$ 185,673	$ -	$ -	$ 185,673
Group 2	-	-	-	-
Group 3	-	-	-	-
	$ 185,673	$ -	$ -	$ 185,673

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

xi. Credit risk information of 2017 is provided in Note 12(4)

(c) Liquidity risk

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

ii . Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and no active market of debt securities investment (Later than three mouth but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2018 and 2017, the Company held money market position of $1,077,461 and $656,171, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	1,114,200	959,146
Expiring beyond one year	-	84,093
	$ 1,114,200	$ 1,043,239

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

Non-derivative financial liabilities:					
December 31, 2018	Less than 3 months	3 months and 1year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 240,499	$ 344,622	$ -	$ -	$ -
Accounts payable	617,148	249,051	-	472,784	-
Other payables	204,834	67,680	-	-	-
Long-term borrowings (including current portion)	4,414	9,961	361,066	21,684	-

Non-derivative financial liabilities:					
December 31, 2017	Less than 3 months	3 months and 1year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 319,031	$ 235,699	$ -	$ -	$ -
Accounts payable	582,257	281,256	-	563,904	-
Other payables	196,313	29,845	-	-	-
Long-term borrowings (including current portion)	8,750	23,651	225,460	23,083	6,995

Derivative financial liabilities:

December 31, 2018:None

Derivative financial liabilities:

December 31, 2017:None

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 278,730	$ -	$ -	$ 278,730
Total	$ 278,730	$ -	$ -	$ 278,730
Liabilities				
Recurring fair value measurements				
Financial assets at fair value through profit or loss: none				

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 32,676	$ -	$ -	$ 32,676
Available-for-sale financial assets				
Equity securities	-	11,627	-	11,627
Total	$ 32,676	$ 11,627	$ -	$ 44,303
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss : none				

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

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

	Listed shares	Closed-end fund	Open-end fund
Market quoted price	Closing price	Closing price	Net asset value

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

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

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

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

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

D. For the years ended December 31, 2018 and 2017, there was no transfer into or out from the financial instruments movement of level 3.

E. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

(4) <u>Effects on initial application of IFRS 9 and the information of application of IAS 39 in 2017.</u>

A. Financial assets at fair value through other comprehensive income, loan and receivables and impairment loss of financial assets, please refer to note 4 in the parent company only financial statements for the year ended December 31, 2017.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Available-for-sale-equity: Measured at fair value through other comprehensive income-equity	Measured at amortised cost	Debt instrument without active market	Total	Effects: Retained earnings	Effects: Other equity
IAS 39	$ 32,676	$ 11,627	$ -	$ 148,170	$ 192,473	$ 197,905	($63,079)
Transferred into and measured at amortised cost	-	-	158,065	(148,170)	9,895	-	-
IFRS 9	$ 32,676	$ 11,627	$ 158,065	$ -	$ 202,368	$ 197,905	($63,079)

C. The significant accounts as of December 31, 2017 is as follows:

(a) Financial assets at fair value through profit or loss

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Beneficiary certificates	$ 29,849
Valuation adjustment	2,827
	$ 32,676

The Company recognised net profit amounting to $2,538 on financial assets held for trading for the year ended December 31, 2017.

(b) Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed stocks	$ -
Emerging stocks	28,345
Non-listed stocks	-
Subtotal	28,345
Valuation adjustment	(16,718)
Accumulated impairment	-
Total	$ 11,67

The Company recognised ($4,934) in other comprehensive income for fair value change for the year ended December 31, 2017.

(c) Investments in debt instruments without active markets

Items	December 31, 2017
Current items:	
Time deposit	$ 148,170

i . The Company listed time deposits for 3 to 9 months in this item.

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

iii. As of December 31, 2017, the Company has no investments in debt instrument without active markets pledged to others.

D. Credit risk information as of December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only transparency financial institutions are accepted.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2017
Group 1	$ 89,160
Group 2	691,629
Group 3	280,195
	$ 1,060,984

Group 1: New customers (less than 6 months from the first transaction).

Group 2: Existing customers (more than 6 months from the first transaction) which were listed companies.

Group 3: Existing customers (more than 6 months from the first transaction) which were private companies.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 28,667
31 to 90 days	28,964
91 to 180 days	89,367
Over 181 days	18,097
	$ 165,095

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i . As of December 31, 2017, the Company's accounts receivable that were impaired amounted to $135,581.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 357	$ 98,179	$ 98,536
Provision(Reversal) for impairment	573	36,472	37,045
At December 31	$ 930	$ 134,651	$ 135,581

(5) Effects of initial application of IFRS 15 and information of application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are provided on note 4 of the consolidated financial statement for the year ended December 31, 2017.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
Sales of goods	$ 3,612,209
Technical service revenue	159,108
Totle	$ 3,771,317

C. The effects and description of current balance sheets and comprehensive income statements if the Company continues adopting above accounting policies are as follows:

		For the year ended December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from chages in accounting policy
Contract liabilities	(a)	$ 51,088	$ -	$ 51,088
Advance sales receipts	(a)	-	51,088	(51,088)

There is no material impact to current comprehensive income statements if the Company continues adopting above accounting policies.

In accordance with IFRS 15, the Company recognizes contract liabilities related to selling products, but recognized receipts in advance.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

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

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

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid in capital or more: Please refer to table 3.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

None.

Table 1

GALLANT PRECISION MACHINING CO., LTD.
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note1)	Maximum Balance for the Period (Note2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	. APEX-I International Co., Ltd.	Subsidiary	$ 483,525	$ 258,974	$ 180,000	$ -	$ -	0.07	$ 1,208,813	Y	N	N	

Note1: Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company. The total endorsement/ guarantee amount to a company shall not exceed 20% of the net worth of the Company.

Note2: Limits on endorsement/ guarantee amount is based on the amount of the endorsement/ guarantee contract or notes were signed between guaranteed party and financial institutions.

Table 2

GALLANT PRECISION MACHINING CO., LTD.

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

DECEMBER 31, 2018

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018 Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	Footnote
Gallant Precision Machining Co., Ltd.	Power Fund-class A	-	Financial assets at fair value through profit or loss-current	40,000	$ 3,527	-	$ 3,527	
Gallant Precision Machining Co., Ltd.	Union Money Market	-	Financial assets at fair value through profit or loss-current	3,794,433	50,023	-	50,023	
Gallant Precision Machining Co., Ltd.	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,804,783	30,114	-	30,114	
Gallant Precision Machining Co., Ltd.	Jihsun Monetary Market Fund	-	Financial assets at fair value through profit or loss-current	3,381,326	50,022	-	50,022	
Gallant Precision Machining Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss-current	8,239,788	85,042	-	85,042	
Gallant Precision Machining Co., Ltd.	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss-current	4,442,108	60,002	-	60,002	
Gallant-Rapid Corpration Ltd.	Phoenix & Corporation	-	Financial assets carried at fair value through other comprehensive income-non-current	669,375	61,680	0.80	61,680	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	-	Financial assets carried at fair value through other comprehensive income-non-current	624,726	62,444	10.15	62,444	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets carried at fair value through other comprehensive income-non-current	286,891	901	1.98	901	

Table 3

GALLANT PRECISION MACHINING CO., LTD.
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
REACHING $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

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

			Transaction				Differences in transaction term compared to third party transactions(note1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases(sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (note2)
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	The Company holds indirectly 60% of the investee.	Purchases	$ 129.492	4.53%	Similar to third parties	Similar to third parties	Similar to third parties	$ -	0.00%	

Table 4

GALLANT PRECISION MACHINING CO., LTD.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	$ 129,492	subject to the terms and conditions agreed upon by both parties	2.66
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	43,398	subject to the terms and conditions agreed upon by both parties	0.89
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	17,362	subject to the terms and conditions agreed upon by both parties	0.27
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	44,662	subject to the terms and conditions agreed upon by both parties	0.92
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts payable	11,394	subject to the terms and conditions agreed upon by both parties	0.17
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Sales	12,851	subject to the terms and conditions agreed upon by both parties	0.26
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	78,869	subject to the terms and conditions agreed upon by both parties	1.62
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	34,529	subject to the terms and conditions agreed upon by both parties	0.53

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.
(1) Number 0 represents the Company.
(2) The consolidated subsidiaries are numbered in order from number 1.
Note 2: The transaction relationships with the counterparties are as follows:
(1) The Company to the consolidated subsidiaries.
(2) The consolidated subsidiaries to the Company.
(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 5

GALLANT PRECISION MACHINING CO., LTD.

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

FOR THE YEAR ENDED DECEMBER 31, 2018

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

				Original Investment Amount		Balance as of December 31, 2018					
Investor Company	Investee Company(note1、2)	Location	Main Businesses and Products	December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value	Net Income (Losses) of the Investee(note2(2))	Share of Profits/ Losses of Investee(note2(3))	Footnote
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	$ 459,050	$ 517,940	13,560,000	100.00	$ 265,042	($ 8,052)	($ 8,052)	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI) Ltd.	British Virgin Islands	Investment Gallant Precision Machinery （Xiamen）Co., Ltd.	660,506	660,506	20,289,000	100.00	375,657	(151)	(151)	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	66,099	471	471	
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd.	British Virgin Islands	Investing in Gallant Technology (Shenzhen) Co., Ltd. and Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation	125,671	125,671	3,576,000	100.00	11,932	(339)	(339)	
Gallant Precision Machining Co., Ltd.	Sunengine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	366,877	366,877	7,568,259	37.84	27,337	(104,189)	(39,424)	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	57.19	524,136	87,485	53,463	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	British Virgin Islands	Investment Gallant Micro. Machining (Suzhou) Co., Ltd.	393,508	393,508	2,780,645	100.00	699,081	42,971	-	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Malaysia	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	3,992	3,992	500,000	100.00	2,870	19	-	

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

Table 6

GALLANT PRECISION MACHINING CO., LTD.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company(note2(2)c)	Percentage of Ownership	Share of Profits/Losses (note 2(2)B)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Footnote
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	$ 194,119	2	$ 253,122	$ -	($ 92,145)	$ 160,977	$ 25,946	100.00	$ 25,946	$ 175,968	$ -	Note2- 2.B
Gallant Precision Machinery （Xiamen）Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	586,657	2	586,657	-	-	586,657	(109)	100.00	(109)	376,817	-	Note2- 2.B
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	64,071	2	64,071	-	-	64,071	(286)	100.00	(286)	11,763	-	Note2- 2.B
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	2	49,973	-	-	49,973	-	-	-	-	-	Note2- 2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	168,933	3	37,012	-	(1,919)	35,093	-	10.15	-	62,444	1,919	Note2- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	139,753	2	247,041	-	-	247,041	43,853	57.19	25,080	645,009	-	Note2- 2.B
Hitachi Zosen GPM Technology （Suzhou）Co., Ltd.	Manufacturing and selling of kinds of film forming system, filling and packaging system and related services.	169,936	3	-	-	-	-	(4,100)	30.00	-	-	-	Note2- 2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	31,304	3	-	-	-	-	(3,168)	100.00	(3,168)	8,571	-	Note2- 2.B
Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	17,888	3	-	-	-	-	(2,009)	100.00	(2,009)	2,657	-	Note2- 2.B
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,720	3	-	-	-	-	22,232	60.00	13,339	51,461	-	Note2- 2.B
Gallant Biotech (Suzhou) Co., Ltd.	Manafacturing, research, development and selling of medical equipment	45,601	3	-	-	-		(7,029)	51.00	(7,029)	22,807	-	Note2- 2.B

Investee Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	$ 861,678	$ 1,027,048	$ 1,450,576
Gallant Micro. Machining Co., Ltd.	282,134	282,134	549,890

Note1: There are three methods of investment as follows

(1) Directly invest in Mainland China.

(2) Indirectly invest in Mainland China.

A. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant-Rapid Corporation Ltd. and then invest in Mainland China.

B. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant Precision Machinery (BVI) Ltd. and then invest in Mainland China.

C. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Chun-Zhun Enterprise Corporation Ltd. and then invest in Mainland China.

D. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through King Mechatronics Co., Ltd. and then invest in Mainland China.

(3) Others.

Note2: Share of Profits/Losses recognized for the year ended December, 2018:

(1) No investment income (loss) recognition.

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

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

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

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

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

Table 7

GALLANT PRECISION MACHINING CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA (SIGNIFICANT TRANSACTIONS CONDUCTED WITH INVESTEES IN MAINLAND CHINA DIRECTLY OR INDIRECTLY THROUGH OTHER COMPANIES IN THE THIRD AREAS)

FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investee Company	Sales		Purchases		Provision of Endorsements/ Guarantees or Collaterals		Financing				Other
	Amount	%	Amount	%	Ending Balance	Purpose	Maximum balance	Ending Balance	Interest Rate	Interest expense	
Gallant Precision Intelligence Technology Co., Ltd.	$ -	-	$ 129,492	2.66	-	-	-	-	-	-	-

5. Financial Statements and Independent Auditors' Report-GPM & SUBSIDIARIES

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Gallant Precision Machining Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Gallant Precision Machining Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GALLANT PRECISION MACHINING CO., LTD.

By

Chairman
March 26, 2019

REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2018 and 2017, 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 matters 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). 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(13) 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 NT1,398,360 thousand and NT175,517 thousand as of December 31, 2018 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:

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(27) and Note 6(18) of the consolidated financial statements for accounting policies on revenue recognition and the detail of revenue information. Effects of initial application of IFRS 15 “Revenue from contracts with customers”, please refer to Note12(5) of the consolidated financial statements.

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

Other matter - Reference to the audits of other independent auditors

We did not audit the financial statements of certain 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$27,337 thousand and NT$66,761 thousand, constituting 0.42% and 1.07% of consolidated total assets as of December 31, 2018 and 2017, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method was NT($39,424) thousand and NT($122,847) thousand, constituting (10.43%) and (56.69%) of consolidated total comprehensive income for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

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

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

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

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

Independent 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, 2018 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 26, 2019

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

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

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,293,799	20	$ 1,071,799	17
1110	Financial assets at fair value through profit or loss - current	6(2)	278,730	4	32,676	1
1136	Financial assets at amortized cost - current	6(4)	860,861	13	-	-
1147	Investments in debt instrument without active markets		-	-	963,980	15
1150	Noteds receivable, net	6(5)	44,893	1	38,138	1
1170	Accounts receivable, net	6(5)	1,787,401	27	1,546,436	25
1200	Other receivables		15,499	-	8,076	-
130X	Inventories, net	6(6)	1,222,843	19	1,510,629	24
1410	Prepayments		39,883	1	55,068	1
1470	Other current assets		12,123	-	27,589	-
11XX	**Current Assets**		5,556,032	85	5,254,391	84
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non - current	6(3)	125,024	2	-	-
1523	Available-for-sale financial assets - non-current		-	-	12,908	-
1535	Financial assets at amortized cost - non-current	6(4)	26,605	-	-	-
1543	Financial assets carried at cost - non-current		-	-	66,419	1
1550	Investments accounted for using equity method	6(7)	27,337	1	66,761	1
1600	Property, plant and equipment, net	6(8)	622,497	10	624,659	10
1780	Intangible assets, net		65,961	1	96,768	2
1840	Deferred income tax assets	6(24)	90,642	1	78,425	1
1900	Other non-current assets		7,098	-	24,375	1
15XX	**Non-current assets**		965,164	15	970,315	16
1XXX	**Total assets**		$ 6,521,196	100	$ 6,224,706	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, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term loans	6(9)	$ 735,121	11	$ 734,730	12
2130	Contract liabilities-current	6(18)	59,219	1	-	-
2170	Accounts payable	6(10)	1,562,542	24	1,633,421	26
2180	Accounts payable - related parties	7	8,643	-	4,416	-
2200	Other payables	6(11)	394,664	6	336,968	6
2230	Current income tax liabilities	6(24)	38,514	-	60,667	1
2250	Provisions for liabilities-current		187,448	3	187,573	3
2300	Other current liabilities	6(12)	41,376	1	207,150	3
21XX	**Current Liabilities**		3,027,527	46	3,164,925	51
	Non-current liabilities					
2527	Contract liabilities-non-current	6(18)	9,702	-	-	-
2540	Long-term loans	6(12)	473,439	8	391,641	6
2570	Deferred income tax liabilities	6(24)	69,516	1	42,299	1
2600	Other non-current liabilities		80,481	1	85,134	1
25XX	**Non-current liabilities**		633,138	10	519,074	8
2XXX	**Total Liabilities**		3,660,665	56	3,683,999	59
	Equity attributable to owners of parent company					
	Share capital	6(14)				
3110	Share capital-common stock		1,651,361	25	1,651,361	27
	Capital surplus	6(15)				
3200	Capital surplus		199,091	3	186,765	3
	Retained earnings	6(16)				
3310	Legal reserve		86,712	1	66,921	1
3320	Special reserve		132,987	2	178,169	3
3350	Unappropriated retained earnings		379,946	6	197,905	3
	Other equity interest	6(17)				
3400	Other equity interest		(32,471)	-	(63,079)	(1)
31XX	**Equity attributable to owners of the parent company**		2,417,626	37	2,218,042	36
36XX	**Non-controlling interest**		442,905	7	322,665	5
3XXX	**Total equity**		2,860,531	44	2,540,707	41
	Contingent liabilities and unrecognised contract commitments					
3X2X	**Total liabilities and equity**		$ 6,521,196	100	$ 6,224,706	100

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

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

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(18) and7	$ 4,873,153	100	$ 4,839,887	100
5000	**Operating costs**	6(6)(22)(23)	(3,586,821)	(74)	(3,527,537)	(73)
5900	**Net operating margin**		1,286,332	26	1,312,350	27
	Operating expenses	6(22)(23)				
6100	Selling expenses		(186,408)	(3)	(204,158)	(4)
6200	General and administrative expenses		(382,662)	(8)	(299,240)	(6)
6300	Research and development expenses		(337,534)	(7)	(343,153)	(7)
6450	Impairment loss (gain)		53,499	1	-	-
6000	**Total operating expenses**		(853,105)	(17)	(846,551)	(17)
6900	**Operating profit**		433,227	9	465,799	10
	Non-operating income and expenses					
7010	Other income	6(19)	81,097	2	84,099	2
7020	Other gains and losses	6(20)	40,033	1	(70,584)	(2)
7050	Finance costs	6(21)	(22,860)	(1)	(18,154)	-
7060	Share of profit of associates and joint ventures accounted for under equity method		(39,424)	(1)	(122,847)	(3)
7000	**Total non-operating income and expenses**		58,846	1	(127,486)	(3)
7900	**Profit before tax**		492,073	10	338,313	7
7950	Income tax expense	6(24)	(85,806)	(2)	(107,632)	(2)
8200	**Profit for the year**		$ 406,267	8	$ 230,681	5
	Other comprehensive income for the year					
	Items that will not be reclassified subsequently to profit or loss:					
8311	Loss on remeasurements of defined benefit plan		($ 3,131)	-	($ 5,453)	-
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income		9,976	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(11,541)	-	-	-
8310	**Items that will not be reclassified subsequently to profit or loss:**		(4,696)	-	(5,453)	-
	Items that may be reclassified subsequently to profit or loss:					
8361	Cumulative translation differences of foreign operations		(23,698)	-	(14,362)	(1)
8362	Unrealized loss on valuation of available-for-sale financial assets		-	-	(5,046)	-
8360	**Summary of Components of other comprehensive income that will be reclassified to profit or loss**		(23,698)	-	(19,408)	(1)
8300	**Other comprehensive (loss) income for the year**		($ 28,394)	-	($ 24,861)	(1)
8500	**Total comprehensive income for the year**		$ 377,873	8	$ 205,820	4
	Profit attributable to:					
8610	Equity holders of the parent company		$ 370,105	7	$ 200,252	4
8620	Non-controlling interest		36,162	1	30,429	1
	Profit for the year		$ 406,267	8	$ 230,681	5
	Total comprehensive income attributable to:					
8710	Equity holders of the parent company		$ 345,936	7	$ 176,902	3
8720	Non-controlling interest		31,937	1	28,918	1
	Total comprehensive income for the year		$ 377,873	8	$ 205,820	4
	Basic earnings per share	6(25)				
9750	**Profit for the year**		$	2.24	$	1.21
	Diluted earnings per share	6(25)				
9850	**Profit for the year**		$	2.20	$	1.20

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
				Retained Earnings			Other Equity Interest					
	Notes	Share capital-common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for- sale financial assets	Total	Non-controlling interest	Total equity
For the year ended December 31, 2017												
Balance at January 1, 2017		$ 1,651,361	$ 242,949	$ 40,850	$ 132,987	$ 305,550	($ 32,398)	$ -	($ 12,784)	$ 2,328,515	$ 278,868	$ 2,607,383
Profit for the year		-	-	-	-	200,252	-	-	-	200,252	30,429	230,681
Other comprehensive income for the year		-	-	-	-	(5,453)	(12,789)	-	(5,108)	(23,350)	(1,511)	(24,861)
Total comprehensive income for the year		-	-	-	-	194,799	(12,789)	-	(5,108)	176,902	28,918	205,820
Distribution of 2016 earnings:												
Legal reserve	6(16)	-	-	26,071	-	(26,071)	-	-	-	-	-	-
Special reserve	6(16)	-	-	-	45,182	(45,182)	-	-	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(231,191)	-	-	-	(231,191)	-	(231,191)
Capital reserve-distribute cash	6(16)	-	(66,055)	-	-	-	-	-	-	(66,055)	-	(66,055)
Difference between the price for acquisition of subsidiaries and carrying amount		-	9,871	-	-	-	-	-	-	9,871	27,332	37,203
Cash dividends paid from subsidiaries		-	-	-	-	-	-	-	-	-	(29,809)	(29,809)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	17,356	17,356
Balance at December 31, 2017		$ 1,651,361	$ 186,765	$ 66,921	$ 178,169	$ 197,905	($ 45,187)	$ -	($ 17,892)	$ 2,218,042	$ 322,665	$ 2,540,707
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		-	-	-	-	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(17)	-	-	-	-	(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	6(16)	-	-	19,791	-	(19,791)	-	-	-	-	-	-
Special reserve	6(16)	-	-	-	(45,182)	45,182	-	-	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(200,966)	-	-	-	(200,966)	-	(200,966)
Disposal of investments in equity instruments at fair value through other comprehensive income	6(17)	-	-	-	-	(14,390)	-	14,390	-	-	-	-
Recognition of changes in equities of subsidiaries	6(26)	-	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		$ 1,651,361	$ 199,091	$ 86,712	$ 132,987	$ 379,946	($ 64,286)	$ 31,815	$ -	$ 2,417,626	$ 442,905	$ 2,860,531

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		$ 492,073	$ 338,313
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8) (22)	31,508	38,253
Amortization	6(22)	41,792	30,997
Expected credit loss (gain)/ Provision for doubtful accounts		(53,499)	43,442
Gain on financial assets or liabilities at fair value through profit or loss, net	6(20)	(2,307)	(2,538)
Interest expense	6(21)	22,860	18,154
Interest income	6(19)	(16,738)	(14,662)
Dividend income	6(19)	(1,868)	-
Share of profit of associates and joint ventures accounted for using equity method		39,424	122,847
Property, plant and equipment transferred to expenses		1,648	-
(Gain)/loss on disposal of property, plant and equipment, net	6(20)	85	678
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	694
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		(243,747)	352,987
Notes receivable		(7,644)	16,333
Accounts receivable		(189,889)	41,349
Accounts receivable - related parties		-	293
Other receivables		(3,359)	6,188
Inventories		285,898	(323,427)
Prepayments		14,804	(11,792)
Other current assets		1,349	(946)
Other non-current assets		(221)	(9)
Net changes in liabilities relating to operating activities			
Contract liabilities		(81,219)	-
Accounts payable		(69,561)	120,701
Accounts payable - related parties		4,485	4,725
Other payables		57,400	(64,295)
Provisions for liabilities		71	(7,698)
Unearned receipts		(2,276)	(340,082)
Other current liabilities		1,112	(1,401)
Accrued pension liabilities		(5,573)	(7,950)
Cash generated from operations		316,608	361,154
Interest received		12,745	14,576
Dividends received		1,870	-
Interest paid		(21,039)	(17,553)
Income tax paid		(104,392)	(87,671)
Net cash provided by operating activities		205,792	270,506

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other financial assets - current		$ -	$ 5,331
Proceeds from disposal of financial assets at amortized cost		126,420	-
Proceeds from disposal of bond investments without active markets		-	41,816
Proceeds from disposal of financial assets at fair value through other comprehensive income		13,955	1,054
Acquisition of property, plant and equipment	6(28)	(37,024)	(167,682)
Proceeds from disposal of property, plant and equipment		2,729	531
Acquisition of intangible assets		(9,540)	(6,428)
Refundable deposits refunded (paid)		(932)	(636)
Decrease in other financial assets		-	949
Acquisition of financial assets at amortized cost		(30,608)	-
Net cash provided by (used in) investing activities		65,000	(125,065)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from short-term loan		1,582,891	2,118,999
Repayment of short-term loan		(1,582,500)	(1,926,422)
Proceeds from long-term loan		350,000	129,000
Repayment of long-term loan		(282,607)	(27,772)
Guarantee deposits refunded		(1,668)	(23)
Proceeds from transaction with non-controlling interests	6(26)	-	(3,833)
Acquisition of transaction with non-controlling interests	6(26)	-	41,036
Increase in non-controlling interests		109,552	17,944
Decrease in non-controlling interests		-	(29,809)
Cash dividends paid		(229,603)	(297,246)
Net cash provided by (used in) financing activities		(53,935)	21,874
Effect of fluctuations in exchange rate		5,143	(5,707)
Net increase (decrease) in cash and cash equivalents		222,000	161,608
Cash and cash equivalents at beginning of year	6(1)	1,071,799	910,191
Cash and cash equivalents at end of year	6(1)	$ 1,293,799	$ 1,071,799

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. HISTORY AND ORGANIZATION

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

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

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

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

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company’s stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011. The equity interest in Gallant Micro. Machining Co., Ltd. held by the Company as of December 31, 2018 was 57.19%.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 4‘Insurance contracts’ (amendments to IFRS 4)	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Clarifications to IFRS 15, ‘Revenue from contracts with customers’ (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ‘First-time adoption of international financial reporting	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the followings items, the above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment.

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 refer to Note 12(4) 2 and 3.

B. IFRS 15, 'Revenue from contracts with customers'

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 15. The Group has elected to apply simple retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings. The significant effects of applying the new standards as of January 1, 2018 as summarized below：

Consolidated balance sheet Affected items	Book value under previous revenue standard	Adjustment for initial application of IFRS15	Adjusted amount after IFRS15 adoption	Remark
January 1, 2018				
Contract liabilities	$ -	$ 150,146	$ 150,146	A
Other non-current liabilities	150,146	(150,146)	-	A
	$ 150,146	$ -	$ 150,146	

i . Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to $150,146.

ii. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRS 23, 'Uncertainty over Income Tax Treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the followings, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

IFRS 16, 'Leases'

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intends not to restate the financial statements of prior period (collectively referred herein as the “modified retrospective approach”), on January 1, 2019, it is expected that ‘right-of-use asset’and lease liability will be increased by $267,456.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance Contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

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

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

C. In adopting IFRS 9 and IFRS 15 effective from January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the consolidated financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Percentage of Ownership		
Name of Investor	Name of subsidiary	Main Business Activities	December 31, 2018	December 31, 2017	Note
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	57.19	62.88	Note
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd. (the “GRC”)	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI) Ltd.(the GPM(BVI)”)	Investing in Gallant Precision Machinery (Xiamen) Co., Ltd.	100	100	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd. (the “CZE”)	Investing in Gallant Technology (Shenzhen) Co., Ltd.	100	100	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the”KMC”)	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017	Note
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd. (the"GMMM")	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	100	100	
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	
KMC	Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	
GPM(BVI)	Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	
Gallant Precision Machinery (Xiamen) Co., Ltd.	Gallant Biotech (Suzhou) Co., Ltd.	Engaged in technology development, consulting, promotion and transfer in biotechnology industry, as well as the agency service of product and technology and import and export business.	51	-	
CZE	Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	100	100	
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	100	100	
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co.,Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	60	60	
Gallant International Trading Co., Ltd.	Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	100	100	

Note: The change of equity interest are disclosed in note 6(26).

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

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

E. Significant restrictions: None.

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

As of December 31, 2018 and 2017, the non-controlling interest amounted to $442,905 and $322,665, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2018		December 31, 2017		
		Amount	Ownership (%)	Amount	Ownership(%)	
Gallant Micro. Machining Co., Ltd.	Taiwan	$392,346	42.81	$296,647	37.12	

Summarised financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	December 31, 2018	December 31, 2017
Current assets	$ 1,293,745	$ 1,209,735
Non-current assets	306,106	269,893
Current liabilities	(521,874)	(498,910)
Non-current liabilities	(161,495)	(181,561)
Total net assets	$ 916,482	$ 799,157

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	$ 922,261	$ 976,727
Profit before income tax	$ 122,094	$ 86,967
Income tax expense	(34,608)	(22,210)
Profit for the year from continuing operations	87,486	64,757
Loss from discontinued operations	-	-
Profit for the year	87,486	64,757
Other comprehensive income, net of tax	(12,443)	(6,005)
Total comprehensive income for the year	$ 75,043	$ 58,752
Comprehensive income attributable to non-controlling interest	$ 32,126	$ 21,055
Dividends paid to non-contronlling interest	$ 28,637	$ 29,809

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	Year ended December 31, 2018	Year ended December 31, 2017
Net cash provided by (used in) operating activities	$ 81,889	$ 174,315
Net cash provided by (used in) investing activities	(15,589)	(218,999)
Net cash provided by (used in) financing activities	(47,358)	198,989
Effect of exchange rates on cash and cash equivalents	(6,494)	(6,858)
Increase (decrease) in cash and cash equivalents	12,448	147,447
Cash and cash equivalents, beginning of year	495,524	348,077
Cash and cash equivalents, end of year	$ 507,972	$ 495,524

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Financial assets at fair value through profit or loss

Effective from 2018

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

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

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

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

Effective from 2018

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

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

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

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

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

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

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

Effective from 2018

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

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

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

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

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

(9) Accounts and notes receivable

Effective from 2018

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

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

(10) Impairment of financial assets

Effective from 2018

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

(11) Derecognition of financial assets

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

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

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

(14) Investments accounted for using equity method / associates

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

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

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

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

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

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

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

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

(15) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structures	10 ~ 50 years
Machinery and equipment	3 ~ 10 years
Furniture and fixtures	3~ 10 years
Other equipment	5 ~ 15 years

(16) Leased assets/ leases (lessee)

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

(17) Intangible assets

A. Computer software

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

B. Other intangible assets

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

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

Effective from 2018

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

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

(21) Derecognition of financial liabilities

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

(22) Provisions

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

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

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

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

(24) Income tax

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

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

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

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

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

(25) <u>Share capital</u>

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

(26) <u>Dividends</u>

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

(27) Revenue recognition

Effective from 2018

A. Sales of goods

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

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

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

B. Sales of services

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

(28) Government grants

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

(29) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories was $1,222,843.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 588	$ 570
Checking accounts	26	26
Demand deposits	1,293,185	1,071,203
Total	$ 1,293,799	$ 1,071,799

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

B. As of December 31, 2018, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-current and financial assets at amortised cost-non-current. As of December 31, 2017 , the Group were classified as other financial assets-current and other non-current financial assets in note 8.

(2) Financial assets / liabilities at fair value through profit or loss

Effective from 2018

Items	December 31, 2018	
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Beneficiary certificates	$	277,915
Valuation adjustment		815
	$	278,730

A. The Group recognized net gain of $2,307 on financial assets and liabilities designated as at fair value through profit or loss for the December 31, 2018 .

B. The Group has no financial assets at fair value through profit or loss pledged to others.

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

D. Information on December 31, 2017, are provided in Note 12(4).

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

Effective from 2018

Items	December 31, 2018	
Non-current items:		
Equity instruments		
Non-Listed stocks	$	68,875
Valuation adjustment		56,149
	$	125,024

A. The Group has elected to classify investments that are considered to be strategic investments in Shinyu Light Co., Ltd., PHOENIX & COPRORATION and POWER EVER ENTERPRISES LIMITED as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $125,024 as at December 31, 2018.

B. The Group sold $13,955 of Unicon Optical Co., Ltd., investments at fair value and resulted in cumulative losses ($14,390) on disposal for the year ended December 31, 2018.

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

	December 31, 2018.	
Equity instruments at fair value through other comprehensive income:		
Fair value change recognised in other comprehensive income	($	1,939)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	$	14,390

D. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $125,024.

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

F. Information on December 31, 2017, are provided in Note 12(4).

(4) Financial assets at amortized cost

Effective from 2018

Items	December 31, 2018	
Current items:		
Time deposits	$	860,861
Non-current items:		
Time deposits		26,605
	$	887,466

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

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

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

D. Information on December 31, 2017, are provided in Note 12(4).

(5) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 44,893	$ 38,138
Accounts receivable	$ 1,911,680	$ 1,740,994
Less: allowance for bad debts	(124,279)	(194,558)
	$ 1,787,401	$ 1,546,436

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

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Withou past due	$ 1,577,280	$ 44,893	$ 1,336,681	$ 38,138
Up to 30 days	33,186	-	47,699	-
31 to 90 days	120,211	-	47,311	-
91 to 180 days	44,389	-	106,656	-
Over 181 days	136,614	-	202,647	-
	$ 1,911,680	$ 44,893	$ 1,740,994	$ 38,138

The above ageing analysis was based on past due date.

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

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

(6) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 130,299	($ 13,766)	$ 116,533
Work in progress	1,189,800	(145,029)	1,044,771
Finished goods	70,128	(16,722)	53,406
Inventory in transit	8,133	-	8,133
Total	$ 1,398,360	($ 175,517)	$ 1,222,843

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 83,871	($ 13,693)	$ 70,178
Work in progress	770,188	(49,221)	720,967
Finished goods	727,549	(20,163)	707,386
Inventory in transit	12,098	-	12,098
Total	$ 1,593,706	($ 83,077)	$ 1,510,629

The cost of inventories recognized as expense for the year:

	Year ended December 31, 2018	Year ended December 31, 2017
Cost of goods sold	$ 3,493,537	$ 3,515,517
Gain on reversal of decline in market value	92,439	9,439
Loss on disposal inventory	845	2,146
Loss on physical inventory	-	435
	$ 3,586,821	$ 3,527,537

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

(7) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Associates		
Sunengine Co., Ltd.	$ 27,337	$ 66,761

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio December 31, 2018	Shareholding ratio December 31, 2017	Nature of relationship	Methods of measurement
Sunengine Co., Ltd.	Taiwan	37.84%	37.84%	Business strategy	Equity method

(b) The summarized financial information of the associates that are material to the Group is as below:

Balance sheet

	Sunengine Co., Ltd. December 31, 2018	Sunengine Co., Ltd. December 31, 2017
Current assets	$ 44,275	$ 162,599
Non-current assets	17,748	4,412
Current liabilities	(11,468)	(12,522)
Non-current liabilities	(293)	(38)
Total net assets	$ 50,262	$ 154,451
Share in associate's net assets	$ 19,019	$ 58,443
Goodwill	8,318	8,318
Carrying amount of the associate	$ 27,337	$ 66,761

Statement of comprehensive income

	Sunengine Co., Ltd. Year ended December 31, 2018	Sunengine Co., Ltd. Year ended December 31, 2017
Revenue	$ 58,910	$ 344,061
Profit for the year from continuing operations	($ 104,189)	($ 325,109)
Profit or loss for the year from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	($ 104,189)	($ 325,109)
Dividends received from associates	-	-

(c) The carrying amount of the Group’s interests in all individually immaterial associates and the Group’s share of the operating results are summarized: none

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Construction in progress and equipment under installation	Total
At January 1, 2018								
Cost	$ 39,130	$ 538,222	$ 105,260	$ 21,238	$ 116,753	$ 65,825	$ 6,877	$ 893,305
Accumulated depreciation and impairment	-	(113,468)	(80,865)	(10,838)	(25,590)	(37,885)	-	(268,646)
	$ 39,130	$ 424,754	$ 24,395	$ 10,400	$ 91,163	$ 27,940	$ 6,877	$ 624,659
2018								
Opening net book amount as at January 1	$ 39,130	$ 424,754	$ 24,395	$ 10,400	$ 91,163	$ 27,940	$ 6,877	$ 624,659
Additions	-	1,714	8,032	10,608	-	6,772	7,462	34,588
Disposals	-	-	(2,500)	(2,781)	-	(1,292)	-	(6,573)
Reclassifications	-	47,736	7,176	7,128	(39,328)	(12,410)	(8,191)	2,111
Depreciation charge	-	(12,680)	(4,882)	(6,597)	(1,209)	(6,140)	-	(31,508)
Net exchange differences	-	9	(448)	(141)	-	(81)	(119)	(780)
Closing net book amount as at December 31	$ 39,130	$ 461,533	$ 31,773	$ 18,617	$ 50,626	$ 14,789	$ 6,029	$ 622,497
At December, 31, 2018								
Cost	$ 39,130	$ 598,415	$ 122,736	$ 39,940	$ 66,694	$ 43,664	$ 6,029	$ 916,608
Accumulated depreciation and impairment	-	(136,882)	(90,963)	(21,323)	(16,068)	(28,875)	-	(294,111)
	$ 39,130	$ 461,533	$ 31,773	$ 18,617	$ 50,626	$ 14,789	$ 6,029	$ 622,497

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Construction in progress and equipment under installation	Total
At January 1, 2017								
Cost	$ -	$ 429,156	$ 113,337	$ 16,912	$ 116,753	$ 48,377	$ -	$ 724,535
Accumulated depreciation and impairment	-	(104,138)	(84,811)	(10,509)	(23,172)	(23,236)	-	(245,866)
	$ -	$ 325,018	$ 28,526	$ 6,403	$ 93,581	$ 25,141	$ -	$ 478,669
2017								
Opening net book amount as at January 1	$ -	$ 325,018	$ 28,526	$ 6,403	$ 93,581	$ 25,141	$ -	$ 478,669
Additions	-	-	375	7,358	-	11,309	155,512	174,554
Disposals	-	-	(2)	(876)	-	(331)	-	(1,209)
Reclassifications	39,130	109,024	480	-	-	11,299	(148,635)	11,298
Depreciation charge	-	(9,320)	(4,650)	(2,443)	(2,418)	(19,422)	-	(38,253)
Net exchange differences	-	32	(334)	(42)	-	(56)	-	(400)
Closing net book amount as at December 31	$ 39,130	$ 424,754	$ 24,395	$ 10,400	$ 91,163	$ 27,940	$ 6,877	$ 624,659
At December, 31, 2017								
Cost	$ 39,130	$ 538,222	$ 105,260	$ 21,238	$ 116,753	$ 65,825	$ 155,032	$ 1,041,460
Accumulated depreciation and impairment	-	(113,468)	(80,865)	(10,838)	(25,590)	(37,885)	(148,155)	(416,801)
	$ 39,130	$ 424,754	$ 24,395	$ 10,400	$ 91,163	$ 27,940	$ 6,877	$ 624,659

A. Amount of borrowing costs capitalized as part of property, plant and equipment were $0 and $0 for the years ended December 31, 2018 and 2017, respectively.

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

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

(9) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Unsecured Banking Loan	$ 735,121	1.2%~3.83%	None
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Unsecured Banking Loan	$ 734,730	1.07%~2.91%	None

(10) Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 1,398,090	$ 1,416,533
Accrued accounts payable	164,452	216,888
	$ 1,562,542	$ 1,633,421

(11) Others accounts payable

	December 31, 2018	December 31, 2017
Accrued salaries	$ 196,555	$ 192,151
Accrued employees' bonuses and directors' remuneration	98,758	55,921
Payables on equipment - Fixed assets	6,239	8,675
Payables on equipment - Intangible assets	1,557	-
Others	91,555	80,221
	$ 394,664	$ 336,968

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	$ 30,025
Unsecured borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	8,013
Mortgage borrowings	Borrowing period is from September 25, 2018 to September 24, 2020; interest is repayable monthly and principal is repayable in September, 2020.	1.40%	Note A、Note B	350,000
Unsecured borrowings	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	13,333
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	None	82,929

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	NoneA	23,000
				507,300
Less: current portion				(33,861)
				$ 473,439

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	$ 36,240
Unsecured borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	9,667
Unsecured borrowings	Borrowing period is from January 25, 2017 to January 25, 2019; interest is repayable monthly and principal is repayable in January 2019.	1.88%	None	20,000
Mortgage borrowings	Borrowing period is from September 15, 2014 to September 15, 2019; interest is repayable monthly and principal is repayable through December, 2014 to September, 2019.	1.39%	Note A 、Note C	235,000
Unsecured borrowings	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	20,000
Unsecured borrowings	Borrowing period is from August 26, 2016 to August 26, 2018; interest is repayable monthly and principal is repayable in August 2018.	2.02%	None	10,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	86,000
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	23,000
				439,907
Less: current portion				(48,266)
				$ 391,641

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

Note B:

(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to $800 million with China Trust Commercial Bank on September 11, 2018. The Company also applied for a drawdown of $220,000 and $130,000 from the credit line granted by China Trust Commercial Bank in September and October, 2018, respectively.

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).

ii . Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.

iii. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT$2,200,000 (inclusive).

Note C:

(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to $720 million with China Trust Commercial Bank on September 3, 2014. The Company also applied for a drawdown of $300,000 from the credit line granted by China Trust Commercial Bank in September 2014. The borrowings has been repaid in September 2018

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).

ii . Gearing ratio: the ratio of total liabilities divided by tangible net worth shall not be more than 120%.

iii. Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.

iv. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT$2,200,000 (inclusive).

(13) Pensions

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

and 7% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 77,603)	($ 73,123)
Fair value of plan assets	25,672	18,942
Net defined benefit liability	($ 51,931)	($ 54,181)

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

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 73,694)	$ 19,321	($ 54,373)
Current service cost	(540)	-	(540)
Interest (expense) income	(912)	283	(629)
	(75,146)	19,604	(55,542)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	404	404
Change in demographic assumptions	(384)	-	(384)
Change in financial assumptions	(1,927)	-	(1,927)
Experience adjustments	(1,225)	-	(1,225)
	(3,536)	404	(3,132)
Pension fund contribution	-	6,743	6,743
Paid pension	1,079	(1,079)	-
Balance at December 31	($ 77,603)	$ 25,672	($ 51,931)

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 68,874)	$ 12,166	($ 56,708)
Current service cost	(857)	-	(857)
Interest (expense) income	(1,025)	234	(791)
Past service cost	2,937	-	2,937
	(67,819)	12,400	(55,419)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(105)	(105)
Change in demographic Assumptions	(1,992)	-	(1,992)
Change in financial Assumptions	(942)	-	(942)
Experience adjustments	(2,370)	-	(2,370)
	(5,304)	(105)	(5,409)
Pension fund contribution	-	6,647	6,647
Paid pension	-	-	-
Balance at December 31	($ 73,123)	$ 18,942	($ 54,181)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	1.00%	1.25%
Future salary increases	2.00%	2.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31,2018				
Effect on present value of defined benefit obligation	($ 1,941)	$ 2,024	$ 1,999	($ 1,927)
December 31,2017				
Effect on present value of defined benefit obligation	($ 1,904)	$ 1,987	$ 1,967	($ 1,895)

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

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

(f) Expected contributions to the defined benefit pension plans of the Group in the year ended December 31, 2019 amount to $8,141.

(h) As of December 31, 2018, the weighted average duration of that retirement plan is 10 year. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 1,684
1-2 year(s)	17,573
2-5 years	6,201
Over 5 years	59,095
	$ 84,553

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

(b) Gallant Precision Industries (Suzhou) Co., Ltd., Gallant Micro. Machining (Suzhou) Co., Ltd., Gallant Precision Machinery （Xiamen）Co., Ltd., Gallant Biotech (Suzhou) Co., Ltd. Gallant Technology (Shenzhen) Co., Ltd., Gallant Precision Intelligence Technology Co., Ltd. Gallant International Trading Co., Ltd. and Suzhou Jianmeifu Optical Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 10% to 20%. Other than the monthly contributions, the Group has no further obligations.

(c) Gallant-Rapid Corporation Ltd., Gallant Micro Machining (Malaysia) Sdn. Bhd. Ltd., King Mechatronics Co., Ltd., Chun-Zhun Enterprise Corporation Ltd., and Gallant Precision Machinery (BVI) Ltd. did not have a pension plan.

(d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $36,333 and $34,681, respectively.

(14) Share capital

A. As of December 31, 2018, the Company's authorized capital was $2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was $1,651,361 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

Unit: shares in thousands

	Year ended December 31, 2018	Year ended December 31, 2017
At January 1/At December 31	165,136	165,136

(15) Capital surplus

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

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Employee stock option	Total
At January 1, 2018	$ 127,167	$ 31,399	$ 11,750	$ 12,003	$ 4,446	$ 186,765
Changes in equity of subsidiaries accounted for under the equity method	-	-	-	12,326	-	12,326
At December 31, 2018	$ 127,167	$ 31,399	$ 11,750	$ 24,329	$ 4,446	$ 199,091

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Employee stock option	Total
At January 1, 2017	$ 193,222	$ 31,399	$ 1,879	$ 12,003	$ 4,446	$ 242,949
Capital surplus used to issue cash to shareholders	(66,055)	-	-	-	-	(66,055)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	9,871	-	-	9,871
At December 31, 2017	$ 127,167	$ 31,399	$ 11,750	$ 12,003	$ 4,446	$ 186,765

(16) Retained earnings

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

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

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

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

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

D. On June 22, 2018 and June 16, 2017, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2017 and 2016 were as following:

	2017		2016	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	$ 19,791	$ -	$ 26,071	$ -
Special reserve	(45,182)	-	45,182	-
Cash dividends	200,966	1.217	231,391	1.4
Total	$ 175,575	$ 1.217	$ 302,644	$ 1.4

E. On March 26, 2019, the Board of Directors proposed for the distribution of dividends from 2018 earnings amounting to $214,677($1.3 (in dollars) per share).

F. The shareholders resolved that capital surplus used to distribute cash for the distribution of 2016 earning was $66,055($0.4 (in dollars) per share), on June 16, 2017.

G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration please refer to Note 6(23).

(17) Other equity items

	Year ended December 31, 2018		
	Available-for-sale investment	Currency translation	Total
At January 1	($ 17,892)	($ 45,187)	($ 63,079)
Effects of retrospective application			-
Revaluation	42,288	-	42,288
Revaluation transferred to retained earnings	(5,032)	-	(5,032)
Revaluation	(1,939)	-	(1,939)
Disposal transferred to retained earnings	14,390	-	14,390
Currency translation differences:–group	-	(19,099)	(19,099)
At December 31	$ 31,815	($ 64,286)	($ 32,471)

	Year ended December 31, 2017		
	Available-for-sale investment	Currency translation	Total
At January 1	($ 12,784)	($ 32,398)	($ 45,182)
Revaluation – gross	(5,108)	-	(5,108)
Currency translation differences: –Group	-	(12,789)	(12,789)
At December 31	($ 17,892)	($ 45,187)	($ 63,079)

(18) Operating revenue

	Year ended December 31, 2018
Revenue from Contracts with Customers	$ 4,873,153

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2018	Taiwan	China	Other	Total
Total segment revenue	$ 2,371,641	$ 2,741,860	$ 130,522	$ 5,244,023
Inter-segment revenue	(307,659)	(63,211)	-	(370,870)
Revenue from external customer contracts	$ 2,063,982	$ 2,678,649	$ 130,522	$ 4,873,153
Timing of revenue recognition				
At a point in time	$ 2,046,837	$ 2,626,345	$ 128,202	$ 4,801,384
Over time	17,145	52,304	2,320	71,769
	$ 2,063,982	$ 2,678,649	$ 130,522	$ 4,873,153

B. Contract liabilities

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

	December 31, 2018
Contract liabilities:	
Contract liabilities-Deposit	$ 68,921

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

	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Deposit	$ 147,451
Total	$ 147,451

D. Related disclosures for the year ended December 31, 2017 operating revenue are provided in Note 12(5) B.

(19) Other income

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income	$ 16,738	$ 14,662
Rental revenue	16,518	25,848
Government subsidy income	31,661	31,681
Dividends income	1,868	-
Others	14,312	11,908
	$ 81,097	$ 84,099

(20) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Losses on disposal of property, plant and equipment	($ 85)	($ 678)
Net currency exchange (losses) gains	38,022	(70,752)
Net gains on financial assets and liabilities at fair value through profit or loss	2,307	2,538
Others	(211)	(1,692)
Total	$ 40,033	($ 70,584)

(21) Finance costs

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expense	$ 22,860	$ 18,154

(22) Expenses by nature

	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefit expense	$ 921,680	$ 801,472
Depreciation charges on property, plant and equipment	$ 31,508	$ 38,253
Amortization charges on intangible assets	$ 41,792	$ 30,997

(23) Employee benefit expense

	Year ended December 31, 2018	Year ended December 31, 2017
Wages and salaries	$ 792,646	$ 688,178

Labour and health insurance fees	60,794	54,759
Pension costs	37,503	33,394
Other personnel expenses	30,737	25,141
	$ 921,680	$ 801,472

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

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

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $54,418 and $24,301, respectively; while directors' and supervisors' remuneration was accrued at $9,567 and $4,832, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11% and 2% of distributable profit of current year for the year ended December 31, 2018.

The employees' compensation and directors' and supervisors' remuneration for 2017 resolved by the Board of Directors on March 27, 2018 were $24,301 and $4,832, respectively, which were $165 difference from those amounts recognized in the 2017 financial statements. The differences had been adjusted and recognized in the 2018 financial statements. The amount of directors' and supervisors' remuneration was in agreement with those amounts recognized in the 2017 financial statements.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the period	$ 92,573	$ 101,338
Tax on undistributed surplus earnings	-	1,963
Prior year income tax (over) underestimation	(10,226)	12,280
Total current tax	82,347	115,581
Deferred tax:		
Origination and reversal of temporary differences	10,091	(7,949)
Impact of changing in tax rate	(6,632)	-
Total deferred tax	3,459	(7,949)

	Year ended December 31, 2018	Year ended December 31, 2017
Income tax expense	$ 85,806	$ 107,632

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

	Year ended December 31, 2018	Year ended December 31, 2017
Share of other comprehensive income of associates	$ 11,541	$ -

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 120,579	$ 73,250
Expenses disallowed by tax regulation	(6)	-
Tax exempt income by tax regulation	434	117
Prior year income tax (over) underestimation	(10,661)	12,280
Income tax paid derived of mainland China source income	(207)	-
Impact of changing in tax rate	(6,632)	-
Temporary difference not recognized as deferred tax assets	(17,701)	20,022
Tax on undistributed earnings	-	1,963
Tax expenses	$ 85,806	$ 107,632

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	$ 23,091	($ 5,468)	$ -	$ 17,623
Inventory obsolescence and market price decline	12,474	20,644	-	33,118
Warranty provision	29,087	6,609	-	35,696
Accrued pension cost	5,674	(110)	-	5,564
Unrealized exchange gain	5,911	(6,506)	-	(595)
Others	2,188	(2,952)	-	(764)
Subtotal	78,425	12,217	-	90,642
Deferred tax liabilities:				
Foreign investment income using equity method	(42,299)	(15,676)	-	(57,975)
Unrealized gain of financial assets at fair value through other comprehensive income	-	-	(11,541)	(11,541)
Subtotal	(42,299)	(15,676)	(11,541)	(69,516)
Total	$ 36,126	($ 3,459)	($ 11,541)	$ 21,126

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	$ 15,619	$ 7,472	$ -	$ 23,091
Inventory obsolescence and market price decline	10,669	1,805	-	12,474
Warranty provision	30,037	(950)	-	29,087
Accrued pension cost	7,023	(1,349)	-	5,674
Unrealized exchange gain	(1,317)	7,228	-	5,911
Others	1,155	1,033	-	2,188
Subtotal	63,186	15,239	-	78,425
Deferred tax liabilities:				
Foreign investment income using equity method	(36,326)	(5,973)	-	(42,299)
Others	1,317	(1,317)	-	-
Subtotal	(35,009)	(7,290)	-	(42,299)
Total	$ 28,177	$ 7,949	$ -	$ 36,126

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 70,541	$ 56,061

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. The Group has accessed the impact of the change in income tax rate.

(25) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 370,105	165,136	$ 2.24
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	2,799	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 370,105	167,935	$ 2.20

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 200,252	165,136	$ 1.21
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	1,495	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 200,252	166,631	$ 1.20

(26) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary

Subsidiary Gallant Micro. Machining Co., Ltd. of the Group increased capital by issuing new shares on Oct 1, 2018. The Group did not acquire shares proportionally to its interest.As a result, the Group decreased 5.69% interest of shares. The transaction increased non-controlling interest by $87,207 and decreased the equity attributable to owners of parent by $12,326. The effect of changes in interests in Gallant Micro. Machining Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2018 is shown below:

	Year ended December 31, 2018
Cash	$ 99,533
Increase in the carrying amount of non-controlling interest	(87,207)
Capital surplus- recognition of changes in ownership interest in subsidiaries (unappropriated retained earnings)	$ 12,326

B. Acquisition of additional equity interest in a subsidiary

On May 12, 2017, the Group acquired an additional 5.88% shares of its subsidiary—APEX-I International Co., Ltd. for a total cash consideration of $3,833. The carrying amount of non-controlling interest in APEX-I International Co., Ltd. was $3,035 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $3,035 and a increase in the equity attributable to owners of the parent by ($798). The effect of changes in interests in APEX-I International Co., Ltd. on the equity attributable to owners of the parent for the years ended December 31, 2017 is shown below:

	Year ended December 31, 2017
Carrying amount of non-controlling interest acquired	$ 3,035
Consideration paid to non-controlling interest	(3,833)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	($ 798)

C. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

On August 7, 2017, the Group disposed of 4% of shares of its subsidiary—Gallant Micro. Machining

Co., Ltd. for a total cash consideration of $41,036. The carrying amount of non-controlling interest in Gallant Micro. Machining Co., Ltd. was $251,441 at the disposal date. This transaction resulted in an increase in the non-controlling interest by $30,367 and an increase in the equity attributable to owners of the parent by $10,669. The effect of changes in interests in Gallant Micro. Machining Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2017 is shown below:

	Year ended December 31, 2017
Carrying amount of non-controlling interest disposed	$ 30,367
Consideration received from non-controlling interest	(41,036)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	($ 10,669)

(27) Operating leases

A. The Group leases Central Taiwan Science Park plant and Hsinchu Science Park office assets to others under non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 14,961	$ 15,336
Later than one year but not later than five years	34,909	49,871
Later than five years	-	-
	$ 49,870	$ 65,207

B. The Group leases in plant assets under non-cancellable operating lease agreements. The lease terms are between 2013 and 2036 years. The Group recognized rental expenses of $22,850 and $25,629 for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 20,222	$ 17,451
Later than one year but not later than five years	31,412	47,855
Later than five years	31,865	40,729
	$ 83,499	$ 106,035

(28) Supplemental cash flow information

Investing activities with partial cash payments

	December 31, 2018	December 31, 2017
Purchase of property, plant and equipment	$ 34,588	$ 174,554
Add: opening balance of payable on equipment	8,675	1,803
Less: ending balance of payable on equipment	(6,239)	(8,675)
Cash paid during the year	$ 37,024	$ 167,682

(29) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2018	$ 734,730	$ 439,907	$ 4,103	$ 1,178,740
Changes in cash flow from financing activities	391	67,393	(1,668)	66,116
At December 30, 2018	$ 735,121	$ 507,300	$ 2,435	$ 1,244,856

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
Hitachi Zosen GPM Technology（Suzhou）Co.,Ltd.	Associate
Sunengine Co., Ltd.	Associate
Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2018	Year ended December 31, 2017
Sales of goods:		
Associate	$ -	$ 1,166

The transactions of the Group and its subsidiaries with related parties and non-related parties are subject to the terms and conditions agreed upon by both parties. The receivables to the related parties are due 90 days after the date of shipment, made on a monthly basis.

B. Purchases:

	Year ended December 31, 2018	Year ended December 31, 2017
Purchases of goods:		
Substantive related party	$ 20,631	$ 7,103

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

C. Payables to related parties:

	December 31, 2018	December 31, 2017
Accounts payable:		
Substantive related party	$ 8,643	$ 4,416

D. Other transactions:

	For the year ended December 31, 2018

	Items	Amount
Substantive related party	Research and development expenses	$ 3,302
Associates	Rental expenses	$ 60

(3) Key management compensation

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and other short-term employee benefits	$ 38,241	$ 36,885
Post-employment benefits	1,015	1,274
Total	$ 39,256	$ 38,159

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Time deposits (shown as "other current assets")	$ -	$ 13,987	Exercise guarantee for construction
Time deposits (shown as "other non-current assets")	-	18,388	Exercise guarantee for construction and customs deposit
Time deposits (shown as "financial assets at amortised cost-current")	9,336	-	Exercise guarantee for construction
Time deposits (shown as "financial assets at amortised cost non-current")	17,269	-	Exercise guarantee for construction and customs deposit
Property, plant and equipment	540,058	553,666	Long-term borrowings
Construction in progress and equipment under installation	-	6,877	Long-term borrowings
	$ 566,663	$ 592,918	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingent liabilities

A. As of December 31, 2018 and December 31, 2017, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to $173,540 and $106,124, respectively.

B. The Group's customer, China Chongqing Chongmei Huashixin Electronic Manufacturing Co., Ltd., purchased equipment products from the Company. However the customer was unwilling to sign the confirmation of acceptance and pay the rest payment to the Company and its subsidiary due to operation issues. The case has been submitted to China Chongqing Arbitration Commission for judgment in November, 2017. In June 2018, the Arbitration Commission has rejected the claim for the payment. As the Group has recognized allowance for related bad debts from 2015 to 2017, there is no impact to the Group's operation and financial performance.

(2) Unrecognized contract commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

None.

B. Operating lease commitments: please refer to note 6 (27).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During year ended December 31, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio within reasonable risk level. The gearing ratios at December 31, 2018 and 2017 were as follows:

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 278,730	$ -
Financial assets held for trading	-	32,676
Financial assets at fair value through other comprehensive income	125,024	-
Available-for-sale financial assets	-	12,908
Financial assets at cost	-	66,419
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	1,293,799	1,071,799
Financial assets at amortised cost	887,466	-
Investments in debt instruments without active markets	-	963,980
Notes receivables	44,893	38,138
Accounts receivables	1,787,401	1,546,436
Other accounts receivables	15,499	8,076
Guarantee deposits paid	6,939	6,041
Other financial assets	-	27,589
	$ 4,439,751	$ 3,774,062

Financial liabilities			
Financial liabilities at amortised cost			
Short-term borrowings	$	735,121	$ 734,730
Accounts payable		1,571,185	1,637,837
Other accounts payable		394,664	336,968
Long-term borrowings (including current portion)		507,300	439,907
Guarantee deposits received		2,435	4,103
	$	3,210,705	$ 3,153,545

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 41,074	30.72	$ 1,261,574
JPY:NTD	305,218	0.2782	84,912
RMB:NTD	33,817	4.472	151,229
USD: RMB	2,559	6.868	78,603
Non-monetary items:None			
Financial liability			
Monetary items			
USD:NTD	$ 20,226	30.72	$ 621,250
JPY:NTD	327,821	0.2782	91,200
RMB:NTD	7,293	4.472	32,616
Non-monetary items :None			

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 42,936	29.76	$ 1,277,786
JPY:NTD	712,360	0.2642	188,205
RMB:NTD	41,781	4.565	190,732
USD: RMB	9,973	6.5192	296,783
Non-monetary items :None			
Financial liability			
Monetary items			
USD:NTD	$ 18,351	29.76	$ 546,117
JPY:NTD	182,675	0.2642	48,263
Non-monetary items :None			

ii. Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted $38,022 and ($70,752), respectively.

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

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 12,616	$ -
JPY:NTD	1%	849	-
RMB:NTD	1%	1,512	-
USD: RMB	1%	786	-
Financial liability			
Monetary items			
USD:NTD	1%	($ 6,213)	$ -
JPY:NTD	1%	(912)	-
RMB:NTD	1%	(326)	-

(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	Year ended December 31, 2017		
Financial assets			
Monetary items			
USD:NTD	1%	$ 12,778	$ -
JPY:NTD	1%	1,882	-
RMB:NTD	1%	1,907	-
USD: RMB	1%	2,968	-
Financial liability			
Monetary items			
USD:NTD	1%	($ 5,461)	$ -
JPY:NTD	1%	(483)	-

Price risk

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

B. The Group's investments in equity securities comprise domestic listed and unlisted stocks. shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the year ended December 31, 2018 and 2017 would have increased/decreased by $2,787 and $327, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $1,250 and $129, respectively, as a result of gains/losses on equity securities other comprehensive income classified as available-for sale equity investment and available-for-sale financial assets equity investment at fair value thorugh other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the year ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD, JPY ,USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the year ended December 31, 2018 and 2017 would have increased/decreased by $10,560 and $9,432, respectively.

(b) Credit risk

i . Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

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

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

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

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

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

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

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

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

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

viii.The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

At December 31, 2018	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.01%-0.26%	0.01%-13.77%	0.13%-16.87%	3.35%-100%	
Total book value	$ 1,577,280	$ 153,397	$ 10,105	$ 170,898	$1,911,680
Loss allowance	$ 1,562	$ 6,230	$ 1,620	$ 114,867	$ 124,279

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

	For the year ended December 31, 2018
	Accounts receivable
At January 1_IAS 39	$ 194,559
Adjustments under new standards	-
At January 1_IFRS 9	194,559
Provision for impairment	24,476
Reversal of impairment loss	(77,975)
Write-offs	(16,422)
Effect of foreign exchange	(359)
At December 31	$ 124,279

The abovementioned provision amounts took positive overall economic factor and other credit enhancement into account, thus, the reversal of impairment of credit loss are $53,499 for the year ended December 31, 2018.

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

	For the year ended December 31, 2018							
			Lifetime					
		12 months		Significant increase in credit risk		Impairment of credit		Total
Financial assets at amortised cost								
Group 1	$	242,232	$	-	$	-	$	242,232
Group 2		622,856		-		-		622,856
Group 3		22,378		-		-		22,378
	$	887,466	$	-	$	-	$	887,466

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

xi. Credit risk information of 2017 is provided in Note 12(4)

(c) Liquidity risk

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

ii . Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and no active market of debt securities investment (Later than three mouth but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2018 and 2017, the Group held money market position of $2,432,776 and $2,067,859, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

		December 31, 2018		December 31, 2017
Floating rate:				
Expiring within one year		1,464,200		1,423,902
Expiring beyond one year		20,000		84,093
	$	1,484,200	$	1,507,995

The facilities expiring within one year are annual facilities subject to review at various dates during 2018. The other facilities have been arranged to help finance the proposed equipment manufacturing and research and development business activities of the Group. Please refer to note 12.

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

Non-derivative financial liabilities:

December 31, 2018	Less than 3 months	3 months and 1year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 390,499	$ 344,622	$ -	$ -	$ -
Accounts payable	800,993	287,956	-	472,784	809
Other payables	284,059	108,654	1,412	539	-
Long-term borrowings (including current portion)	14,231	26,839	375,093	106,625	3,249

Non-derivative financial liabilities:

December 31, 2017	Less than 3 months	3 months and 1year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 499,030	$ 235,700	$ -	$ -	$ -
Accounts payable	762,763	305,928	-	564,730	-
Other payables	272,923	62,272	1,773	-	-
Long-term borrowings (including current portion)	9,351	38,456	278,983	61,988	69,406

Derivative financial liabilities:

December 31, 2018 and December 31, 2017:None

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 278,730	$ -	$ -	$ 278,730
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	125,024	125,024
Total	$ 278,730	$ -	$ 125,024	$ 403,754
Liabilities				
Recurring fair value measurements				
Financial assets at fair value through profit or loss: none				

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 32,676	$ -	$ -	$ 32,676
Available-for-sale financial assets				
Equity securities	-	11,627	1,281	12,908
Total	$ 32,676	$ 11,627	$ 1,281	$ 45,584
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss : none				

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

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

	Listed shares	Closed-end fund	Open-end fund
Market quoted price	Closing price	Closing price	Net asset value

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

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

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

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

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

D. For the December 31, 2018 and December 31, 2017, there was no transfer into or out from Level 3.

E. The following chart is the financial instruments movement of Level 3 for the year ended December 31, 2018 and 2017:

	For the year ended December 31, 2018	For the year ended December 31, 2017
	equity instrument	equity instrument
At January 1	$ 129,003	$ 1,394
Gains and losses recognized in other comprehensive income	(3,979)	(113)
At December 31	$ 125,024	$ 1,281

F. For the year ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

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

	December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	$ 63,345	Market comparable companies	Price to book ratio multiple	0.77~2.85	The higher the multiple , the higher the fair value

	December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	$ 1,281	Market comparable companies	Price to book ratio multiple	1.13~1.15	The higher the multiple , the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value;

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

			December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 634	($ 632)

			December 31, 2017			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 12	($ 13)

(4) Effects on initial application of IFRS 9 and the information of application of IAS 39 in 2017.

A. For information of available-for-sale financial assets, financial assets at cost, loan and receivables and impairment loss of financial assets, please refer to note 4 in the Group’s consolidated financial statements for the year ended December 31, 2017.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

		Available-for-sale-equity					Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at cost	Measured at amortised cost	Debt instrument without active market	Total	Retained earnings	Other equity
IAS 39	$ 32,676	$ 12,908	$ 66,419	$ -	$ 963,980	$ 1,075,983	$ 197,905	($ 63,079)
Transferred into and measured at fair value through other comprehensive income-equity	-	66,419	(66,419)	-	-	-	-	-
Transferred into and measured at amortised cost	-	-	-	996,355	(963,980)	32,375	-	-
Fair value adjustment	-	49,676	-	-	-	49,676	-	49,676
Impairment loss adjustment	-	-	-	-	-	-	5,032	(5,032)
IFRS 9	$ 32,676	$ 129,003	$ -	$ 996,355	$ -	$ 1,158,034	$ 202,937	($ 18,435)

C. The reconcilation of allowance for impairment and provision from December 31, 2017 , as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS9, are as follows:

	Available-for-sale: Measured at fair value through profit or loss	Total
IAS 39/IAS 37	$ 5,032	$ 5,032
Transfer into and measured at fair value through other comprehensive income	(5,032)	(5,032)
IFRS 9	$ -	$ -

D. The significant accounts as of December 31, 2017 and the year ended December 31, 2017 are as follows:

(a) Financial assets at fair value through profit or loss

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Beneficiary certificates	$ 29,850
Valuation adjustment	2,826
	$ 32,676

The Group recognised net profit amounting to $2,538 on financial assets held for trading for the year ended December 31, 2017.

(b) Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed stocks	$ 28,345
Emerging stocks	-
Non-listed stocks	7,487
Subtotal	35,832
Valuation adjustment	(17,892)
Accumulated impairment	(5,032)
Total	$ 12,908

The Group recognised ($5,046) in other comprehensive income for fair value change and reclassified $0 from equity to profit or loss for the year ended December 31, 2017.

(c) Financial assets at cost

Items	December 31, 2017
Non-current items:	
PHOENIX & CORPORATION	$ 29,988
POWER EVER ENTERPRISES LIMITED	36,431
Total	$ 66,419

According to the Group’s intention, its investment in foresaid mentioned Corporation stocks should be classified as ‘available-for-sale financial assets’. However, as foresaid mentioned Corporation stocks are not traded in active market, and no sufficient industry information of companies similar to foresaid mentioned Corporation or foresaid mentioned Corporation’s financial information cannot be obtained, the fair value of the investment in foresaid mentioned Corporation stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.

(d) Investments in debt instruments without active markets

Items	December 31, 2017
Current items:	
Time deposit	$ 963,980

i . The Group listed time deposits for 3 to 9 months in this item.

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

iii. As of December 31, 2017, the Group has no investments in debt instrument without active markets pledged to others.

E. Credit risk information as of December 31, 2017 and the year ended December 31, 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only transparency financial institutions are accepted.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group’s Credit Quality Control Policy:

	December 31, 2017
Group 1	$ 90,983
Group 2	912,859
Group 3	341,711
	$ 1,345,553

Group 1: New customers (less than 6 months from the first transaction).

Group 2: Existing customers (more than 6 months from the first transaction) which were listed companies.

Group 3: Existing customers (more than 6 months from the first transaction) which were private companies.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

		December 31, 2017
Up to 30 days	$	43,462
31 to 90 days		34,578
91 to 180 days		93,564
Over 181 days		29,279
	$	200,883

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $194,558.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 394	$ 153,301	$ 153,695
Provision(Reversal) for impairment	707	42,735	43,442
Write-offs during the period	-	(2,071)	(2,071)
Effect of foreign exchange	-	(508)	(508)
At December 31	$ 1,101	$ 193,457	$ 194,558

(5) Effects of initial application of IFRS 15 and information of application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are provided on note 4 of the consolidated financial statement for the year ended December 31, 2017.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

		For the year ended December 31, 2017
Sales of goods	$	4,604,973
Technical service revenue		234,914
Totle	$	4,839,887

C. The effects and description of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from chages in accounting policy
Contract liabilities	(a)	$ 68,921	$ -	$ 68,921
Advance sales receipts	(a)	-	68,921	(68,921)

There is no material impact to current comprehensive income statements if the Group continues adopting above accounting policies.

(a) In accordance with IFRS 15, the Group recognizes contract liabilities related to selling products, but recognized receipts in advance.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

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

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

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid in capital or more: Please refer to table 3.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measurement of segment information

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

(3) Information about segment

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

Year ended December 31, 2018

	Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	Gallant Precision Machinery (BVI) Ltd.	Chun-Zhun Enterprise Corporation (BVI)Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	$ 3,827,468	$ 98,726	$ 922,261	$ -	$ -	$ 24,698	$ -	$ 4,873,153
Inter-segment revenue	$ 13,694	$ 190,924	$ -	$ -	$ -	$ -	($ 204,618)	$ -
Segment income	$ 413,553	$ 8,504	$ 122,093	($ 6,904)	($ 338)	$ 558	($ 45,393)	$ 492,073
Total segment assets	$ 5,291,066	$ 384,625	$ 1,599,850	$ 395,749	$ 14,072	$ 76,534	($ 1,240,700)	$ 6,521,196

Year ended December 31, 2017

	Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	Chun-Zhun Enterprise Corporation (BVI)Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	$ 3,768,814	$ 52,811	$ 976,727	$ -	$ -	$ 41,535	$ -	$ 4,839,887
Inter-segment revenue	$ 33,586	$ 231,201	$ -	$ -	$ -	$ -	($ 264,787)	$ -
Segment income	$ 269,264	($ 67,818)	$ 160,827	$ 6,206	($ 502)	$ 1,221	($ 30,885)	$ 338,313
Total segment assets	$ 5,118,667	$ 425,636	$ 1,479,628	$ 386,314	$ 14,299	$ 71,571	($ 1,271,409)	$ 6,224,706

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2018 and 2017 is provided as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Reportable segments income/(loss)	$ 537,466	$ 369,198
Other	(45,393)	(30,885)
Income/(loss) before tax from continuing operations	$ 492,073	$ 338,313

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

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

	December 31, 2018	December 31, 2017
Assets of reportable segments	$ 7,761,896	$ 7,496,115
Elimination of intersegment assets	(1,240,700)	(1,271,409)
Total assets	$ 6,521,196	$ 6,224,706

(5) Information on product and service

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

	Year ended December 31, 2018	Year ended December 31, 2017
Display process equipment	$ 3,501,674	$ 2,687,214
Semiconductor process equipment	945,809	751,096
Intelligent automated transportation equipment	24,499	847,170
Other	401,171	554,407
Total	$ 4,873,153	$ 4,839,887

(6) Geographical information

The Company and its subsidiaries geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets (note)	Revenue	Non-current assets (note)
Taiwan	$ 2,063,982	$ 642,029	$ 1,448,372	$ 699,484
China	2,678,649	45,612	2,655,277	44,934
Others	130,522	1,355	736,238	1,382
Total	$ 4,873,153	$ 688,996	$ 4,839,887	$ 745,800

Note: not included available-for-sale financial assets-non-current, financial assets measured at cost -non-current, investments accounted for under equity method and deferred income tax assets.

(7) <u>Major customer information</u>

Revenue from specific customers that represent over 10% of total revenues of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018			
	Revenue		Percentage(%)	Segment
Customer B	$	1,297,975	27%	The whole Group
Customer F		987,373	20%	The whole Group

	Year ended December 31, 2017			
	Revenue		Percentage(%)	Segment
Customer B	$	707,420	15%	The whole Group
Customer E		698,932	14%	The whole Group
Customer F		588,065	12%	The whole Group
Customer G		498,822	10%	The whole Group

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018

No.	Endorsement/ Guarantee Provider	Guaranteed Party: Name	Guaranteed Party: Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note1)	Maximum Balance for the Period (Note2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
0	Gallant Precision Machining Co., Ltd.	. APEX-I International Co., Ltd.	Subsidiary	$ 483,525	$ 258,974	$ 180,000	$ -	$ -	0.07	$ 1,208,813	Y	N	N	

Note1: Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company. The total endorsement/ guarantee amount to a company shall not exceed 20% of the net worth of the Company.

Note2: Limits on endorsement/ guarantee amount is based on the amount of the endorsement/ guarantee contract or notes were signed between guaranteed party and financial institutions.

Table 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2018

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant Precision Machining Co., Ltd.	Power Fund-class A	-	Financial assets at fair value through profit or loss-current	40,000	$ 3,527	-	$ 3,527	
Gallant Precision Machining Co., Ltd.	Union Money Market	-	Financial assets at fair value through profit or loss-current	3,794,433	50,023	-	50,023	
Gallant Precision Machining Co., Ltd.	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,804,783	30,114	-	30,114	
Gallant Precision Machining Co., Ltd.	Jihsun Monetary Market Fund	-	Financial assets at fair value through profit or loss-current	3,381,326	50,022	-	50,022	
Gallant Precision Machining Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss-current	8,239,788	85,042	-	85,042	
Gallant Precision Machining Co., Ltd.	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss-current	4,442,108	60,002	-	60,002	
Gallant-Rapid Corpration Ltd.	Phoenix & Corporation	-	Financial assets at fair value through other comprehensive income-non-current	669,375	61,680	0.80	61,680	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	624,726	62,444	10.15	62,444	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	286,891	901	1.98	901	

Table 3

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
REACHING NT$100 MILLION OR 20% OF PAID IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2018

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

			Transaction				Differences in transaction term compared to third party transactions(note1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases(sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (note2)
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	The Company holds indirectly 60% of the investee.	Purchases	$ 129.492	4.53%	Similar to third parties	Similar to third parties	Similar to third parties	$ -	0.00%	

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

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

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	$ 129,492	subject to the terms and conditions agreed upon by both parties	2.66
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	43,398	subject to the terms and conditions agreed upon by both parties	0.89
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	17,362	subject to the terms and conditions agreed upon by both parties	0.27
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	44,662	subject to the terms and conditions agreed upon by both parties	0.92
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts payable	11,394	subject to the terms and conditions agreed upon by both parties	0.17
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Sales	12,851	subject to the terms and conditions agreed upon by both parties	0.26
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	78,869	subject to the terms and conditions agreed upon by both parties	1.62
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	34,529	subject to the terms and conditions agreed upon by both parties	0.53

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

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

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

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

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investor Company	Investee Company(note1、2)	Location	Main Businesses and Products	Original Investment Amount: December 31, 2018	Original Investment Amount: December 31, 2017	Balance as of December 31, 2018: Shares	Balance as of December 31, 2018: Percentage of Ownership	Balance as of December 31, 2018: Carrying Value	Net Income (Losses) of the Investee(note2(2))	Share of Profits/ Losses of Investee(note2(3))	Footnote
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	$ 459,050	$ 517,940	13,560,000	100.00	$ 265,042	($ 8,052)	($ 8,052)	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI) Ltd.	British Virgin Islands	Investment Gallant Precision Machinery（Xiamen）Co., Ltd.	660,506	660,506	20,289,000	100.00	375,657	(151)	(151)	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	66,099	471	471	
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd.	British Virgin Islands	Investing in Gallant Technology (Shenzhen) Co., Ltd. and Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation	125,671	125,671	3,576,000	100.00	11,932	(339)	(339)	
Gallant Precision Machining Co., Ltd.	Sunengine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	366,877	366,877	7,568,259	37.84	27,337	(104,189)	(39,424)	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	57.19	524,136	87,485	53,463	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	British Virgin Islands	Investment Gallant Micro. Machining (Suzhou) Co., Ltd.	393,508	393,508	2,780,645	100.00	699,081	42,971	-	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Malaysia	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	3,992	3,992	500,000	100.00	2,870	19	-	

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

Table 6

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company(note2(2)c)	Percentage of Ownership	Share of Profits/Losses (note 2(2)B)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Footnote
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	$ 194,119	2	$ 253,122	$ -	($ 92,145)	$ 160,977	$ 25,946	100.00	$ 25,946	$ 175,968	$ -	Note2- 2.B
Gallant Precision Machinery（Xiamen）Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	586,657	2	586,657	-	-	586,657	(109)	100.00	(109)	376,817	-	Note2- 2.B
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	64,071	2	64,071	-	-	64,071	(286)	100.00	(286)	11,763	-	Note2- 2.B
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	2	49,973	-	-	49,973	-	-	-	-	-	Note2- 2.B
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	168,933	3	37,012	-	(1,919)	35,093	-	10.15	-	62,444	1,919	Note2- 2.B
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	139,753	2	247,041	-	-	247,041	43,853	57.19	25,080	645,009	-	Note2- 2.B
Hitachi Zosen GPM Technology（Suzhou）Co., Ltd.	Manufacturing and selling of kinds of film forming system, filling and packaging system and related services.	169,936	3	-	-	-	-	(4,100)	30.00	-	-	-	Note2- 2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	31,304	3	-	-	-	-	(3,168)	100.00	(3,168)	8,571	-	Note2- 2.B
Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	17,888	3	-	-	-	-	(2,009)	100.00	(2,009)	2,657	-	Note2- 2.B
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,720	3	-	-	-	-	22,232	60.00	13,339	51,461	-	Note2- 2.B
Gallant Biotech (Suzhou) Co., Ltd.	Manafacturing, research, development and selling of medical equipment	45,601	3	-	-	-		(7,029)	51.00	(7,029)	22,807	-	Note2- 2.B

Investee Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	$ 861,678	$ 1,027,048	$ 1,450,576
Gallant Micro. Machining Co., Ltd.	282,134	282,134	549,890

Note1: There are three methods of investment as follows

(1) Directly invest in Mainland China.

(2) Indirectly invest in Mainland China.

A. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant-Rapid Corporation Ltd. and then invest in Mainland China.

B. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant Precision Machinery (BVI) Ltd. and then invest in Mainland China.

C. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Chun-Zhun Enterprise Corporation Ltd. and then invest in Mainland China.

D. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through King Mechatronics Co., Ltd. and then invest in Mainland China.

(3) Others.

Note2: Share of Profits/Losses recognized for the year ended December, 2018:

(1) No investment income (loss) recognition.

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

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

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

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

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

Table 7

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA (SIGNIFICANT TRANSACTIONS CONDUCTED WITH INVESTEES IN MAINLAND CHINA DIRECTLY OR INDIRECTLY THROUGH OTHER COMPANIES IN THE THIRD AREAS)

FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investee Company	Sales		Purchases		Provision of Endorsements/ Guarantees or Collaterals		Financing				Other
	Amount	%	Amount	%	Ending Balance	Purpose	Maximum balance	Ending Balance	Interest Rate	Interest expense	
Gallant Precision Intelligence Technology Co., Ltd.	$ -	-	$ 129,492	2.66	-	-	-	-	-	-	-

6. Financial Difficulties:

The Company should disclose the financial impact to the Company and its affiliated companies have incurred any financial or cash flow difficulties from Jan. 1, 2018 through until Mar. 31, 2019 : None.

VII. Financial Status, Operating Results and Status of Risk Management

1. Financial Status - Consolidated Report：

Unit: NT$ thousands

Item \ Year	2018	2017	Change	
			Amount	% of Change
Current Assets	5,556,032	5,254,391	301,641	5.74
Property, Plant and Equipment	622,497	624,659	(2,162)	(0.35)
Intangible Assets	65,961	96,768	(30,807)	(31.84)
Other Assets	276,706	248,888	27,818	11.18
Total Assets	6,521,196	6,224,706	296,490	4.76
Current Liabilities	3,027,527	3,164,925	(137,398)	(4.34)
Non-current Liabilities	633,138	519,074	114,064	21.97
Total Liabilities	3,660,665	3,683,999	(23,334)	(0.63)
Common Stock	1,651,361	1,651,361	0	0
Capital Surplus	199,091	186,765	12,326	6.60
Retained Earnings	599,645	442,995	156,650	35.36
Other Equity	(32,471)	(63,079)	30,608	48.52
Equity attributable to owners of the parent	2,417,626	2,218,042	199,584	9.00
Non-controlling Interest	442,905	322,665	120,240	37.26
Total Equity	2,860,531	2,540,707	319,824	12.59

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:

1. The decrease in intangible assets is mainly due to the amortization of license fees.
2. The increase in non-current liabilities is mainly due to an increase in long-term borrowings in 2018.
3. The increase in retained earnings is mainly due to a significant increase in profit in 2018.
4. The increase in other equity is mainly due to an increase in valuation of financial assets at fair value through other comprehensive income - non-current in 2018.
5. The increase in non-controlling interest is mainly due to the additional investment in Gallant Biotech (Suzhou) Co., Ltd. (shareholding at 51%) in 2018.

2. Operating Results-Consolidated Report：

2.1 For the past two years, the main reason that caused the significant changes in operating revenue, operating income and income before tax and its impacts:

Unit: NT$ thousands

Item \ Year	2018 Amount	2017 Amount	Change	% of Change
Net Sales	4,873,153	4,839,887	33,266	0.69
Gross Profit	1,286,332	1,312,350	(26,018)	(1.98)
Operating Income	433,227	465,799	(32,572)	(6.99)
Non-Operating Income and Expenses	58,846	(127,486)	186,332	(146.16)
Net Income before Income Tax	492,073	338,313	153,760	45.45
Net profit(Loss)from continuing operations	406,267	230,681	175,586	76.12
Net profit(Loss)from close operations	----	----	----	----
Net Income	406,267	230,681	175,586	76.12
Other Comprehensive Income, net of tax	(28,394)	(24,861)	(3,533)	14.21
Total Comprehensive Income	377,873	205,820	172,053	83.59
Profit(Loss) attributable to owners of parent	370,105	200,252	169,853	84.82
Profit(Loss) attributable to non-controlling interests	36,162	30,429	5,733	18.84
Comprehensive income attributable to owners of parent	345,936	176,902	169,034	95.55
Comprehensive income attributable to non-controlling interests	31,937	28,918	3,019	10.44
Earnings per share	2.24	1.21	1.03	85.12

For the past two years, the main reason that caused the significant changes in operating revenue, operating gain or loss and income before tax and its impacts:

1. Non-operating income and expenses, net income before income tax, net profit (loss) from continuing operations, profit (loss) attributable to owners of parent, comprehensive income attributable to owners of parent, and earnings per share: Due to a significant decrease in non-operating foreign exchange gains and losses of invested companies accounted for using equity method in 2018.

2.2 The expectation on sales volume and basis forming the expectation, the impacts on the Company's financial condition and business and the mitigation efforts:

Unit: Sets

Main Products	2019budget
Display Process Equipment	171
Semiconductor Process Equipment	260
Intelligent automation equipment	5
Other Equipment	25

Note: The forecast is based on the customers' forecast and taking into account the market conditions. The aforementioned estimated quantity does not include others and parts.

3. Cash Flow Analysis-Consolidated Report

Unit: NT$ thousands

Cash Balance Dec. 31, 2017	Net Cash Provided by Operating Activities in 2017	Net Cash Outflows from Investing Activities in 2017	Net Cash Inflows from Financing Activities in 2017	mpact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2018
1,071,799	205,792	65,000	(53,935)	5,143	1,293,799

3.1 Analysis of the Change in Cash Flow in 2018

1. Operating activity:
   Due to the decrease in advance receipts in the Republic of China in 2018 years and the increase in income tax paid in the current period, the cash inflow from operating activities in the year 2018 decreased compared with the previous year.
2. Investing Activities:
   It is mainly due to the disposal of Financial assets carried at cost.
3. Financing activity:

   Mainly due to the distribution of cash dividends and the newly added investment subsidiary Gallant Biotech (Suzhou) Co., Ltd.

3.2 Remedial Actions for Cash Shortfall：

The company has ample cash on-hand; remedial actions are not required.

3.3 Cash Flow Projection for Next Year：

1. Cash flow generated from operating activities was NT$69,243 thousand mainly due to the offset between the collection of accounts receivable and accounts payable and operating expenses.
2. Cash flow used in investing activities was NT$362,101 thousand mainly due to the distribution of 2018 cash dividends and remuneration for employees and directors.
3. Cash flow used in financing activities was NT$32,075 thousand mainly due to the repayment of bank loans.

4.Major Capital Expenditure

4.1 Major Capital Expenditure and Sources of Funding：Not applicable.

5.Investment Policies：

5.1 Latest investment policy, major causes of profits and losses and improvement, and future plan for the next year (Investment that exceeds 5% of paid-in capital)：

Unit: NT$ thousands

Description / Item	Initial Investment amount	Policy	The main reasons for profit/loss	Improvement plan
Gallant Precision Machinery (BVI) Ltd.	459,050	Investment in Gallant Precision Machinery (Xiamen) Co., Ltd.	The business model changed from after-sales service to assembly and delivery upon order and production and assembly upon order transferred from the parent company and after-sales service for customers in	1. Gain power of agency for foreign machines. 2. Reinforce 5 business functions in production, sales, research, development, and finance

			China. In 2017, the cost was not well-managed, leading to a loss.	and expand the R&D and assembly of whole machine equipment and its parts. 3. Enhance the after-sales service satisfaction of customers in China. 4. Improve internal process management mechanisms.
Gallant Micro. Machining CO., Ltd.	282,765	Production and Sales of Precision Mold and other Parts	Control R&D expenses and increase foreign exchange gains.	Although business remained profitable this year, GPM continued to implement related plans. 1.Continue to invest in the development of new products and markets based on the situation of the semiconductor industry and business policies. 2.Customize mature models based on customers' needs to increase the profitability of mass production.
Sunengine Co., Ltd.	366,877	Buy and Sales of battery manufacturing and energy technology service industry	In September 2017, part of its production equipment was resold, and the employees were also transferred. Currently, part of its equipment has been placed in the warehouse and under reselling negotiations. All was recognized as impairment loss, leading to a loss in 2018.	Sunengine Co., Ltd. is planning to stop production and transform into the operations of domestic power plants and production line equipment. In 2018, Sunengine Co., Ltd. transformed into the construction of power plants.

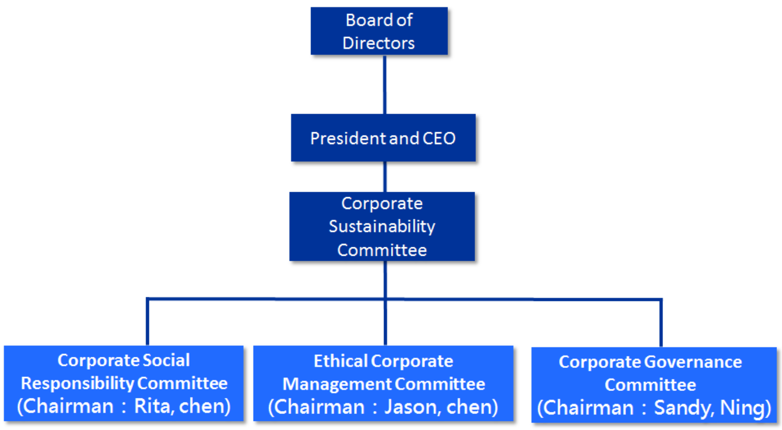
5.3 Investment plan for the next year: There will be no single investment that exceeds 5% of paid-in capital: As a result, this analysis is not applicable.

6.Risk Management

6.1 Risk Management Organizational Chart:

To promote CSR and sustainability, the Company establishes "Corporate Sustainability Committee" in 2016. The Corporate Sustainability Committee is in charge of affairs related to CSR, corporate governance and ethical corporate management policies. The execution and results shall be reported to Board of Directors at least once annually.

The organizational chart of the Company's Corporate Sustainability Committee:



6.2 The Impact and Future Mitigation Efforts to Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

1. In 2018, the GPM Group has interest expense amounting NT$22,860 thousand which accounts for 0.47% of sales. As a result, the fluctuation of interest rate does not impose significant effect to the Company.
2. In 2018, the GPM Group has exchange loss amounting to NT$38,022 thousand which accounts for 0.78% of sales. This does not impose significant effect to the Company.
3. For the most recent fiscal year, inflation did not have significant impact on the GPM Group

6.3 The Impact and Future Mitigation Efforts to Risks Associated with High Risk/ High-Leveraged Investment, Lending, Endorsements, and Guarantees for Other Parties, and Financial Derivative Transactions:

To prudently control the financial risk, the Company does not take part in high risk and high leveraged investment The Company's derivative transaction is not speculative. All the operation is in accordance with GPM's “Procedures for Acquisition or Disposal of Assets”. Therefore, the Company does not have significant risk.

The Company stipulates control process such as "Procedures for endorsement and guarantee" and "Procedures for financing". As of March 31, 2019, the Company has provided NT$180,000 thousand of guarantee to its Affiliates, which does not exceed the limitation.

Depending on subsidiaries operation, the Company will give support.

6.4 Future Research & Development Projects and Corresponding Budget:

The GPM Group R&D plan for the most recent fiscal year can be found on page 68 In 2019, R&D budget is NT$287,553 thousand. So far the progress of R&D item is in line with R&D plan.

6.5 The Impacts of Changes of Important Domestic and Foreign Policies and Laws on the Company’s Finances and Business, and the Countermeasures:

So far, the important policy and amendment of laws or regulations published by the government does not have significant impact on the Company. The GPM Group companies follows rules and regulations published by government, both domestically and internationally. The Company and companies that GPM has invested have personnel collecting the update of policies and laws for the reference of management team.

6.6 Impact of Technological and Market Changes on the Company’s Finances and Business and Counter measures:

The GPM Group has designated personnel watch closely on the change of technological and market trend, evaluate the impact on the Company's future development and finance, and take necessary mitigation efforts. In the most recent fiscal year, there is no change of technology and industry that may have significant impact on the Company's finance and business.

6.7 The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

For the past 30 years, the Company believes firmly in "Ethic, Passion, Innovation, Discipline" and "Down-to-Earth, Never give up" and apply this spirit into running business. As a result, the Company duly complies CSR and builds and maintains benign corporate image. Therefore, the Company does not foresee and impacts from the change of corporate image on the enterprise crisis management.

6.8 The Expected Benefit, Risk and Future Mitigation Efforts to Risks Associated with Mergers and Acquisitions: The company does not have a merger and acquisition plan

6.9 The Expected Benefit, Risk and Future Mitigation Efforts to Risks Associated with Facility Expansion: The company does not have a facility expansion plan

6.10 The Risk and Future Mitigation Efforts to Risks Associated with Purchase Concentration and Sales Concentration:

1. Our main materials and outsourcing partners mostly from domestic companies. The supplier are not irreplaceable and plenty of sources of supply. The Company adopts diversified procurement principle and maintains long-tem stable relationship with supplier to minimize the risk of force majeure and shortage of source. As a result, the Company does not have the risk of purchase concentration.
2. In terms of FPD equipment sales, the clients were just a few panel factories. For a panel factory to construct plant, the capital expenditure payment is concentrated and the amount is enormous. This situation could easily lead to sales concentration for an equipment manufacturer. However, domestic clients are slowing down their pace in expansion in recent years. Coupled with GPM's effort of business development in China, the demand from China has increased and catch up with domestic clients. Thus, the sales concentration risk has lowered dramatically.
3. Along with FPD field, GPM group is also actively seeking demands for equipment from other industries, including green energy, electronic component, shoes-making and medical device. The development of equipments includes processing equipment, optical inspection equipment, automation, integration of whole factory and production line. In the future, we can expect that sales customers will be in fair distribution.

6.11 The Effect, Risk and Mitigation Effort to Risks Associated with Sales of Significant Numbers of Shares by Directors and Major Shareholders Who Own 10% or More of the Total Outstanding Shares:

The shareholding transfer is monthly declared to Competent Authority for investors reference. GPM tracks closely the shareholdings variation of directors and shareholders holding more than 10% of the outstanding shares to lower risk and take immediate action. As of now, there is no transfer of shareholding that would have impact on the operation and financial condition of the Company.

6.12 Effects of, Risks and Response to Changes in Management Rights:

The Company does not have change in management rights.

6.13 For any litigious matters, whether the case has been finalized or the still pending, that involves the company and company's directors, supervisors, general managers, person with actual responsibility in the company, and major shareholders holding more than 10% of the company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation involving the company, the annual report shall disclose the facts in dispute, amount in dispute, commencement date of the dispute, main parties involved, and current status of the case as at the date of printing of the report: None.

6.14 Information security risk analysis and response measures

1. Information security policy
   Over the years, GPM has been committed to improving information security management mechanisms, regularly conveying information security, and organizing employee training on information security.
2. Control of information security and network risks
   As the patterns of cyber attack are ever-changing. GPM has taken action to strengthen information security operations by importing firewalls, filtering malicious E-mails, implementing Internet protection, updating operating system updates, and installing anti-virus software.

6.15 Other material risk and mitigation efforts: None

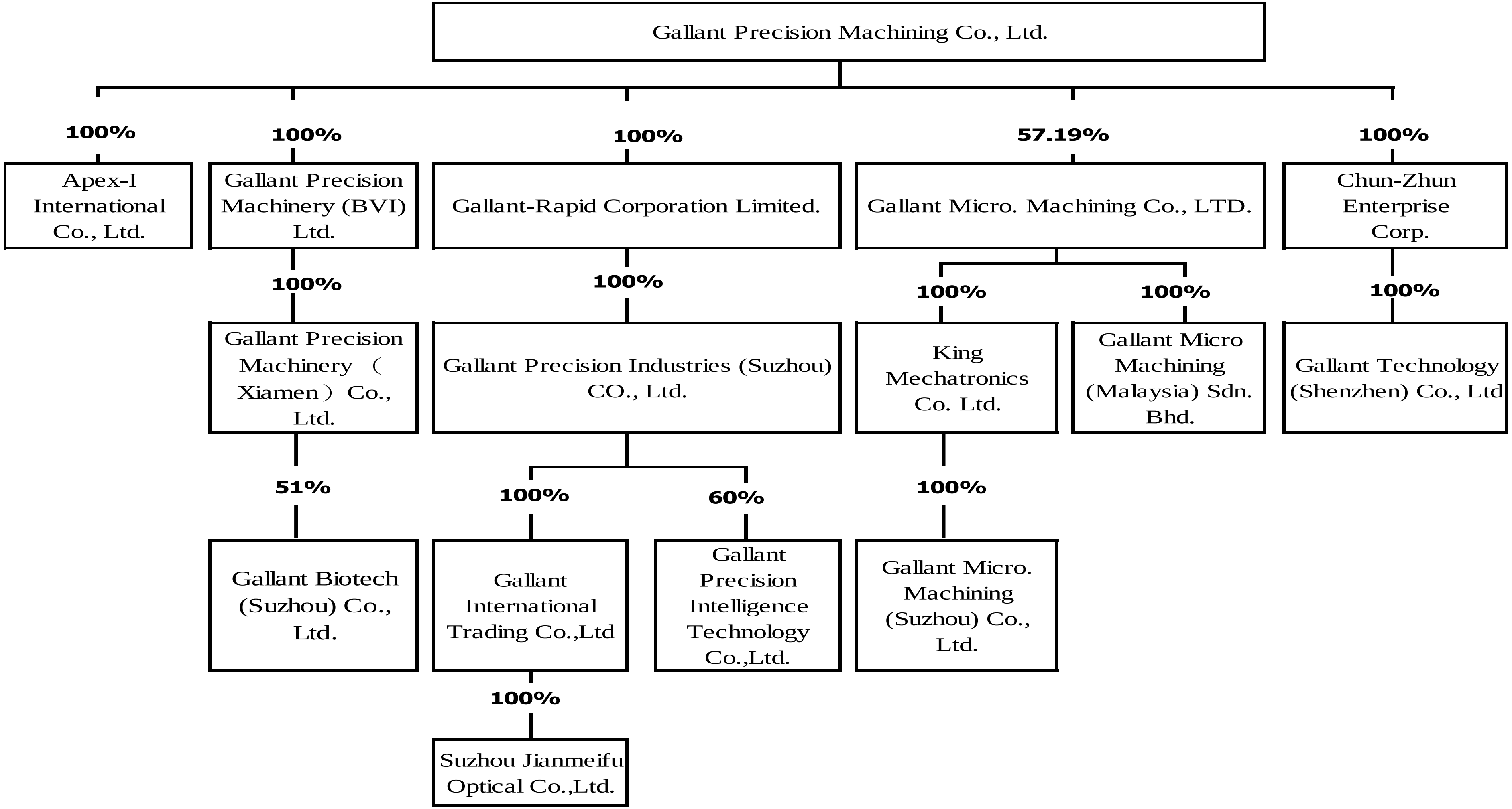
7.Other Material Events: None.

VIII. Special Disclosure

1.Summmary of Affiliated Companies

1.1Affiliated Companies Chart

As of Dec. 31, 2018



1.2 GPM Affiliated Companies

As of Dec. 31, 2018. Unit: NT$ thousand / Foreign Currency thousands

Company Name	Date of Incorporation	Address	Capital Stock	Major Business
APEX-I INTERNATIONAL CO., LTD	2001/04/13	No.10, Wenhua Rd., Hukou Township, Hsinchu County 303, Taiwan (R.O.C.)	NTD 66,000	Sale of Machinery Equipment and Parts
Gallant Micro. Machining Co., LTD.	2010/10/15	No.2-1, Minsheng St., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)	NTD 282,765	Production and Sales of Precision Mold and other Parts
Gallant-Rapid Corporation Limited.	2000/06/15	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	USD 13,560	Investment in Gallant Precision Industries (Suzhou) Co., Ltd.
Chun Zhun Enterprise Corporation.	2001/12/13	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	USD 3,576	Investment in Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation and in Gallanat Technology (Shenzhen) Co., Ltd.
King Mechatronics Co., Ltd.	2001/09/24	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD 2,780	Investment in Gallant Micro. Machining (Suzhou) Co., Ltd.
Gallant Precision Machinery (BVI) Ltd.	2006/09/12	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD 20,289	Investment in Gallant Precision Machinery (Xiamen) Co., Ltd.
Gallant Precision Industries (Suzhou) CO., Ltd.	1995/04/19	1#Building , No.56 Songshan Road , New District , Suzhou , 215151 P.R.C.	USD 9,320	Production of optoelectronic products whole machine equipment, mechatronics equipments, and the manufacturing of its parts and accessories
Gallant Micro. Machining (Suzhou) Co., Ltd.	2003/01/28	A2, No. 1, Xiecun Road, Jinqiao Development Area, Mudu Town, Wuzhong District, Suzhou City	USD 4,550	Production and Sales of Precision Mold and other Parts
Gallant Precision Machinery（Xiamen)Co., Ltd.	2006/12/12	No. 1188, Fangshan South Road, Xiangan Industry District, Gaoxin District, Huoju, Xiamen, Fujian Province, China	USD 19,100	Production of optoelectronic products machining equipment and related parts and accessories
Gallant Technology (Shenzhen) Co., Ltd	2009/2/13	Floor 1, Building 28, Ji, Floor 1, Building 27, Zonghelou, Anle Industry, Guankouer Road, South End Of Nanshan District, Shenzhen City, China	USD 2,086	The Sales of Medical and Engineering Equipment
Gallant Micro Machining (Malaysia) Sdn. Bhd.	1996/10/08	B303-03-11, Krystal Point, Jalan Sultan Azlan Shah, 11900 Penang, Malaysia	MYR 500	The Import/Export and Buy/Sales of Semiconductor Machine and related Components and Parts
Gallant International Trading Co.,Ltd	2012/02/27	Room 501，No.143 Heshan Road , New District , Suzhou , 215129 P.R.C.	CNY 7,000	Sales of mechatronics equipments
Suzhou Jianmeifu Optical Co.,Ltd.	2015/04/16	Room 501，No.143 Heshan Road , New District , Suzhou , 215129 P.R.C.	CNY 4,000	The Wholesale and Retail of Contact Lens and related Medicare Products
Gallant Precision Intelligence Technology Co.,Ltd.	2017/03/06	1#Building , No.56 Songshan Road , New District , Suzhou , 215151 P.R.C.	CNY 10,000	Optical products whole machine equipment, mechatronics equipments, and the manufacturing of its parts and accessories
Gallant Biotech (Suzhou) Co., Ltd.	2018/07/04	2#Building , No.8 Keling Road , Suzhou New District , Jiangsu , 215000 P.R.C.	CNY 10,000	Manafacturing, research, development and selling of medical equipment

1.3 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates:

None.

1.4 Business of GPM and its Affiliated Enterprises

1. Shareholders in Common of GPM and Its Subsidiaries with Deemed Control and Subordination: Not applicable.
2. Business Scope of Its Subsidiaries:

(1) GPM specializes in manufacturing and sales of semiconductor packaging front-end equipment and FPD production process equipment.

(2) The affiliates involve in industries such as semiconductor packaging equipment, FPD production processing equipment, precision module and parts, production, trading and sales of precision components. There are also affiliates belong to investment or trading industry.

(3) The affiliates are aiming at division of capacity, lowering cost, after sales service, product diversification, holding company purpose and operating diversification. For more details, please see Basic Information of Affiliates.

1.5 Directors, Supervisors and Presidents of GPM's Affiliated Companies

As of Dec. 31,2018；Unit：Shares；%

Company Name	Title	Name or Representative	Shares	% of Holding
APEX-I INTERNATIONAL CO., LTD	Chairman Director Director Supervisor	Gallant Precision Machining Co., Ltd.(GPM) Rep.：Jason Chen Gallant Precision Machining Co., Ltd. (GPM) Rep.：Nick Yen Gallant Precision Machining Co., Ltd. (GPM)Rep.：Y.C. Lee Gallant Precision Machining Co., Ltd. (GPM) Rep.：Sandy Ning	GPM holds 6,600,000	100
Gallant Micro. Machining Co., LTD.	Chairman	Gallant Precision Machining Co., Ltd. (GPM) Rep.：Frank, Liang	GPM holds 16,171,750	57.19
	Director	Hung-Ming Hsu	338,000	1.20
	Director	Jung-Liang Chen	209,000	0.74
	Director	Puo-Chen Chen	0	0
	Independent Director	Yen-Heng Lin	0	0
	Independent Director	Shingo Shih	0	0
	Independent Director	Bell Chen	0	0
	President	Hung-Ming Hsu	338,000	1.20
Gallant-Rapid Corporation Limited	Chairman	Gallant Precision Machining Co., Ltd. (GPM) Rep.：Jason Chen	GPM holds 13,560,000	100
Chun Zhun Enterprise Corporation	Chairman Director	Gallant Precision Machining Co., Ltd. (GPM) Rep.：Nick Yen Gallant Precision Machining Co., Ltd. (GPM) Rep.：Jason Chen	3,576,000	100
King Mechatronics Co., Ltd.	Director	Gallant Micro. Machining Co., LTD. (GMM) Rep.：Jung-Liang Chen	GMM holds 2,780,645	100
Gallant Precision Machinery (BVI) Ltd.	Chairman Director	Gallant Precision Machining Co., Ltd. (GPM)Rep.：Nick Yen Gallant Precision Machining Co., Ltd. (GPM) Rep.：Jason Chen	GPM holds 20,289,000	100
Gallant Micro. Machining (Suzhou) Co., Ltd.	Chairman Director Director Supervisor President	Jung-Liang Che Hung-Ming Hsu Nick Yen Wen Chin Chou Hung-Ming Hsu	King Mechatronics Co., Ltd. investment US$2,780,645	100
Gallant Precision Machinery（Xiamen）Co., Ltd.	Chairman Director Director Supervisor	Nick Yen Ching-Hua Tsai Jason Chen Sandy Ning	Gallant Precision Machinery (BVI) Ltd. investment US$19,100,000	100
Gallant Precision Industries (Suzhou) CO., Ltd.	Chairman Director Director Supervisor President	Jason Chen Nick Yen Sandy Ning Rita Chen Jason Chen	Gallant-Rapid Corporation Limited. investment US$13,560,000	100
Gallant Technology (Shenzhen) Co., Ltd	Chairman Director Director Supervisor	Nick Yen Shen-Shiou Sung Lin-Fa Ting Yu-Ching Chang	Chun Zhun Enterprise Corporation. investment US$3,576,000	100

Gallant Micro Machining (Malaysia) Sdn. Bhd.	Director Director Director Director	Gallant Micro. Machining Co., LTD.(GMM) Rep.：HUNG-MING HSU Algo Pauline KY	GMM holds 500,000	100
Gallant International Trading Co.,Ltd	Chairman Director Director Supervisor	Jason Chen Nick Yen XIAO LIAN Sandy Ning	Gallant Precision Industries (Suzhou) CO., Ltd. nvestment CNY$7,000,000	100
Suzhou Jianmeifu Optical Co.,Ltd.	Chairman Director Director Supervisor	Nick Yen XIAO LIAN Jason Chen Sandy Ning	Gallant International Trading Co.,Ltd nvestment CNY$4,000,000	100
Gallant Precision Intelligence Technology Co.,Ltd.	Chairman Director Director Supervisor President	Jason Chen SHIYI ZHANG Sandy Ning CHIA-JU TSENG SHIYI ZHANG	Gallant Precision Industries (Suzhou) CO., Ltd. nvestment CNY$6,000,000	60
Gallant Biotech (Suzhou) Co., Ltd.	Chairman Director Director Supervisor President	Nick Yen Sandy Ning XIAO LIAN CHIA-JU TSENG LIN, CHIA-HUI	Gallant Precision Machinery（Xiamen）Co., Ltd CNY$5,100,000	51

1.6 Summarized Operation Results of Affiliated Enterprises (As of Dec.31, 2018)

Unit: NT$ thousands

Name of Corporation	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income	Net Income	Earning Per Share (NT$)
Gallant-Rapid Corporation Limited.	459,050	258,495	0	258,495	0	-34,219	-8,052	-
Gallant Precision Industries (Suzhou) CO., Ltd.	194,119	223,075	47,106	175,969	111,117	14,603	25,946	-
Gallant International Trading Co.,Ltd	31,304	10,473	1,902	8,571	7,183	-1,288	-3,168	-
Suzhou Jianmeifu Optical Co.,Ltd.	17,888	2,764	107	2,657	2	-2,012	-2,009	
Chun-Zhun Enterprise Corp.	125,671	11,943	0	11,943	0	-61	-338	-
Gallant Technology (Shenzhen) Co., Ltd.	64,071	13,892	2,129	11,763	0	-400	-286	-
Apex-I International Co., Ltd.	66,000	76,534	10,434	66,100	24,698	15	471	0.07
Gallant Micro. Machining Co., LTD.	282,765	1,562,226	645,744	916,482	629,529	60,821	87,485	3.33
Gallant Micro Machining (Malaysia) Sdn. Bhd.	4,537	2,876	6	2,870	276	-138	19	-
KING MECHATRONICS CO.,LTD	93,144	751,263	52,039	699,224	122,266	-2,735	42,971	-
Gallant Micro. Machining (Suzhou) Co., Ltd.	139,753	697,486	52,477	645,009	349,849	36,772	43,853	-
Gallant Precision Machinery (BVI) Ltd.	660,506	377,157	0	377,157	0	-55	-150	-
Gallant Precision Machinery（Xiamen）Co., Ltd.	586,657	377,980	1,163	376,817	0	-593	-109	-

Gallant Precision Intelligence Technology Co.,Ltd.	44,720	128,483	42,714	85,769	171,634	27,145	22,232	-
Gallant Biotech (Suzhou) Co., Ltd..	45,601	33,343	1,882	31,461	0	-13,783	-13,783	-

Note: The amount of capital, asset, liabilities and net worth in this table were calculated using the exchange rate at end of 2017. The net sales, Income from operation, net income and EPS numbers were calculated using the average exchange rate in 2017.

(1) Exchange rate on 12/31, 2018: USD:NTD=1:30.715；RMB:NTD=1:4.472；MYR:NTD=1:7.112

(2) Average exchange rate for 2018: USD:NTD=1:30.1492；RMB:NTD=1:4.5601；MYR:NTD=1:7.1974

1.7 Independent Auditor's Uni-President and Affiliated Enterprises Consolidated Financial Statements : Please refer to Page 156.

1.8 Affiliation Report: None.

2.Issuance of Private Placement of Securities:

None. (in the most recent fiscal year and up to the issue date of this Annual Report)

3. Holding or Disposition of GPM Stocks by Subsidiaries:

None (in the most recent fiscal year and up to the issue date of this Annual Report)

4. Other Necessary Supplement :None.

5.Special Notes

Any Events that Had Significant Impacts on Shareholders’ Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan：None.

Gallant Precision Machining Co., Ltd.

No.5-1, Innovation 1st Rd., Science Based Industrial Park, Hsinchu, 30076, Taiwan.

http://www.gpmcorp.com.tw

Gallant Precision Machining Co., Ltd.

Nick Yeh, Chairman