

Gallant Precision Machining Co., Ltd.

2020 Annual General Shareholders' Meeting Minutes

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

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

The number of shares of attendance:

Attending shareholders and proxy represented 112,121,055 shares (including 8,493,107 shares which attended through electronic voting) accounting for 68.9% of the Company's total outstanding shares (deducting non-voting shares as required in Article 179 of the Company Act)

Directors present:

Nick Yeh, Jason Chen, Hsu, C SUN MFG. LTD. Representative: Frank Liang, Hsu Hung-Ming

Independent Director present:

William Hung, Bill Chen

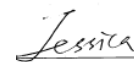
Others present:

Lawyer Alice Chiang, Auditor Kwok-ah Tsang

Chairman: Mr. Nick, Yeh



Recorder: Ms. Jessica Tseng



Call Meeting to Order:

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

I. Report Items

1. Business report for 2019

Explanation :

The 2019 Business Report is attached hereto as Attachment 1.

2. Audit committee's review report of 2019.

Explanation :

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

Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earning Distribution Proposal for the year of 2019 LI, TIEN YI and Kwok-ah Tsang, Certified Public Accountants of

PWC, have audited the Financial Statements. The 2019 Business Report, Financial Statements, and Earning Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Gallant Precision Machining Co., Ltd., as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

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

Chairman of the Audit Committee :

洪偉仁

May 24, 2020

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

Explanation :

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

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

Explanation :

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

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

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

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

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

Explanation :

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

As of 04/30/2020

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

II. Recognition Items

1.To accept 2019 Business Report and Financial statements.

(proposed by the Board of Directors)

Explanation :

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

Resolution : Approved and acknowledged as proposed by Board of Directors.

Voting Result: 112,101,055 shares were represented at the time of voting (including 8,493,107 shares voted via electronic transmission)

Voting Results	%of the total representation at the time of voting
Votes in favor : 109,898,181 votes (including 6,292,238 shares voted via electronic transmission)	98.0300%
Votes against : 9,009 votes (including 9,009 shares voted via electronic transmission)	0.0100%
Votes abstained : 2,193,865 votes (including 2,191,860 share voted via electronic transmission)	1.9600%
Votes invalid : 0 votes (including 0 shares voted via electronic transmission)	0.0000%

2.To approve the proposal for the distribution of 2019 earnings.

(proposed by the Board of Directors)

Explanation :

Earnings Distribution Proposal :

Items	Amount in NT\$
	Amount
Unappropriated retained earnings from previous years	128,257,866
Plus: Net Income of 2019	249,157,667

Less: change of remeasurements on defined benefit plan	(1,518,460)
Less: 10% Legal Reserve	(24,763,921)
Retained Earnings Available for Distribution as of December 31, 2019	351,133,152
Distribution Item:	
Cash Dividends to Common Share Holders (NT\$1.5 per share)	(247,704,216)
Unappropriated Retained Earnings	103,428,936

Resolution : Approved and acknowledged as proposed by Board of Directors.

Voting Result: 112,101,055 shares were represented at the time of voting (including 8,493,107 shares voted via electronic transmission)

Voting Results	%of the total representation at the time of voting
Votes in favor : 109,898,172 votes (including 6,292,229 shares voted via electronic transmission)	98.0300%
Votes against : 9,017 votes (including 9,017 shares voted via electronic transmission)	0.0100%
Votes abstained : 2,193,866 votes (including 2,191,861 share voted via electronic transmission)	1.9600%
Votes invalid : 0 votes (including 0 shares voted via electronic transmission)	0.0000%

III. Discussion Items

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

Explanation :

The company's actual operational requirements and the Financial Supervisory Commission letter of April 25, 2019, Jin-Guan-Zheng-Jiao-Zi No.1080311451 stipulated that the nomination system for candidates for directors and supervisors of listed (OTC) companies shall be adopted and stated in the articles of incorporation. Shareholders shall be elected from the list of candidates for directors and supervisors, and this order will be effective from January 1, 2021.

The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment 3.

Resolution : Approved and acknowledged as proposed by Board of Directors.

Voting Result: 112,101,055 shares were represented at the time of voting (including 8,493,107 shares voted via electronic transmission)

Voting Results	%of the total representation at the time of voting
Votes in favor : 109,878,606 votes (including 6,272,663 shares voted via electronic transmission)	98.0200%
Votes against : 28,536 votes (including 28,536 shares voted via electronic transmission)	0.0300%
Votes abstained : 2,193,913 votes (including 2,191,908 share voted via electronic transmission)	1.9500%
Votes invalid : 0 votes (including 0 shares voted via electronic transmission)	0.0000%

IV. Election Items

1. Election of the 15th Board of Director and Independent Directors.

(proposed by the Board of Directors)

Explanation :

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

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

(2) The Company chooses to set up the Audit Committee according to the provisions of the Securities Exchange Law and the Articles of Association, and therefore there shall not be supervisors according to law. The Audit Committee is composed of all the Independent Directors.

(3) According to the Company's Article of Incorporation, directors shall be elected by adopting candidate nomination system and nomination and election of the directors shall be conducted in accordance with the applicable laws and regulations. Shareholders shall elect the directors from the nominated candidates. The academic background, experience and relevant information of the nominated candidates are attached hereto as Attachment 5.

Election Resolution : :

Title	Shareholder Number or ID	Shareholder Name or Name	Votes Received
Director	A12280****	FRANK, LIANG	210,416,903
Director	11124	CHEN, CHENG-HSIN	177,193,575
Director	1738	C SUN MFG.LTD. Representative : CHEN, RONALD	162,908,748
Director	387	HSU, HUNG-MING	143,924,748
Independent Director	A10360****	Tong, Chia-Ching	27,339,438
Independent Director	J10078****	LO, WOEI	25,091,839
Independent Director	J20024****	CHEN, YEE-MAY	21,561,311

V. Other Items

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

Explanation :

(1) According to Article 209 of the Company Act, any Director conducting business for him self/herself/itself or on another's behalf, whereby the scope of the business coincides with the scope of the Company's business, shall explain at the Shareholders' Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.

(2) It is proposed for the shareholders meeting to lift non-competition restrictions on new Board members

and their representatives. The list of competition restrictions on Directors Candidates proposed to be released is attached hereto as Attachment 6.

Resolution : Approved and acknowledged as proposed by Board of Directors.

Voting Result: 112,101,055 shares were represented at the time of voting (including 8,493,107 shares voted via electronic transmission)

Voting Results	% of the total representation at the time of voting
Votes in favor : 108,180,214 votes (including 4,574,271 shares voted via electronic transmission)	96.5000%
Votes against : 1,799,922 votes (including 1,799,922 shares voted via electronic transmission)	1.6100%
Votes abstained : 2,120,919 votes (including 2,188,914 share voted via electronic transmission)	1.8900%
Votes invalid : 0 votes (including 0 shares voted via electronic transmission)	0.0000%

VI. Special Motions

None.

VII. Meeting Adjourned

Meeting ended at 09:40a.m..

Attachment 1 :

Gallant Precision Machining Co., Ltd.

2019 Business Report

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

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

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

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

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

II. 2019 Business Plan Summary

1. Annual Operating Policy

(1) Business Aspect

- Differentiation, diversification, expansion, next generation display industry.
- Extend, promote and branding intelligent automation industry.
- Refine, combine, focus and innovate semiconductor industry.

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

work and the overall safety and health management of the factory to protect customer rights. We also standardize employee discipline and execution, and require the overall quality of suppliers.

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

(2) R&D Aspect

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

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

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

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

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

Unit: set

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

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

3. Important production and marketing policies

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

III. Future Development Strategy:

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

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

1. The impact of the external competitive environment:

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

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

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

2. Regulatory Environment:

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

3. Overall Business Environment:

- (1) At present, the international economy is facing many variables, and it has been affected by COVID-19 epidemic this year and the trade war between the United States and China in recent years. China is still the world's factory, and the production status has affected the delivery speed of various products and supply chains. According to the current forecast of major research institutions, the economic growth and investment activities of the world will be lower than expected in the first half of this year. However, the expected global demand for all products is not reduced. The current supply is only delayed. It is predicted that the overall economy will gradually recover in the second half of the year. Gallant Precision Machining will meet the changing situation and create a future with diversified business orders, more flexible manufacturing speed, strong internal production and marketing function and long-term external cooperation of

the supply chain system.

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



Sheng-Fa (Nick), Yeh
Chairman



Cheng-Hsin (Jason), Chen
President



Jessica, Tseng
Deputy Manager

Attachment 2 :

- Independent Auditors' Report and Individual Financial Statements

REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

current period are stated as follow:

Evaluation of inventories

Description

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

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

Cut-off of revenue recognition

Description

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

Gallant Precision Machining Co., Ltd. is primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Main revenue recognition is based on customer's confirmation for acceptance. Since the transferred timing of the risks and rewards of goods ownerships are

subject to judgment and the result could affect sales revenue significantly in the parent company only financial statement. Thus, revenue recognition has been identified a key audit matter.

How our audit addressed the matter

Our audit procedures performed included the following:

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

Other matter - Reference to the audits of other independent auditors

We did not audit the financial statements of certain investments accounted for under equity method. The financial statements of these investments accounted for under equity method were audited by other auditors whose reports thereon have been furnished to us and our opinion 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 NT30,148 thousand and NT27,337 thousand, constituting 1% and 1% of the total assets as of December 31, 2019 and 2018, respectively, and its share of the loss amounting to NT2,811 thousand and NT(39,424) thousand, constituting 1.53% and (11.40%) of the total comprehensive income for the years then ended, respectively.

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

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

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

but to do so.

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

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

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

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

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

going concern.

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

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

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

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

PricewaterhouseCoopers, Taiwan
March 24, 2020

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

Attachment 2 :

- Independent Auditors' Report and Consolidated Financial Statements

To Gallant Precision Machining Co., Ltd.

REPORT OF INDEPENDENT ACCOUNTANTS

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS") for the year ended December 31, 2019. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified

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

Key audit matters

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

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

Evaluation of inventories

Description

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

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

Cut-off of revenue recognition

Description

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

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

sheet date.

Other matter - Reference to the audits of other independent auditors

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

Other matter - Parent company only financial statements

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to 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, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
March 24, 2020

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

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

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

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

(Expressed in thousands of New Taiwan dollars)

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

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

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

Years ended December 31

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

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

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

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

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		\$ 360,249	\$ 492,073
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8) 6(9) (23)	47,776	31,508
Amortization	6(23)	38,062	41,792
Expected credit loss (gain)		71,458	(53,499)
Gain on financial assets or liabilities at fair value through profit or loss, net	6(21)	(1,207)	(2,307)
Interest expense	6(22)	36,205	22,860
Interest income	6(20)	(21,398)	(16,738)
Dividend income	6(20)	(2,889)	(1,868)
Share of profit of associates and joint ventures accounted for using equity method		9,070	39,424
Property, plant and equipment transferred to expenses		-	1,648
(Gain)/loss on disposal of property, plant and equipment, net	6(21)	30	85
Gain on disposal of investments accounted for using equity method	6(21)	(3,012)	-
Gain on lease modification		(6)	-
Impairment loss from non – financial assets		965	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		159,563	(243,747)
Notes receivable		(4,357)	(7,644)
Accounts receivable		(626,326)	(189,889)
Other receivables		9,359	(3,359)
Other receivables - related parties		(40,186)	-
Inventories		280,668	285,898
Prepayments		(4,591)	14,804
Other current assets		421	1,349
Other non-current assets		78	(221)
Net changes in liabilities relating to operating activities			
Contract liabilities		75,951	(81,219)
Accounts payable		(591,294)	(69,561)
Accounts payable - related parties		20,594	4,485
Other payables		(59,447)	57,400
Provisions for liabilities		(43,308)	71
Unearned receipts		(1,559)	(2,276)
Other current liabilities		1,891	1,112
Accrued pension liabilities		(8,118)	(5,573)
Cash generated from operations		(295,358)	316,608
Interest received		15,730	12,745
Dividends received		2,592	1,870
Interest paid		(36,680)	(21,039)
Income tax paid		(69,039)	(104,392)
Net cash provided by operating activities		(382,755)	205,792

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortized cost		\$ 12,189	\$ 126,420
Acquisition (proceeds from disposal) of financial assets at amortized cost		-	(30,608)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	13,955
Acquisition of investments accounted for using equity method		(29,540)	-
Acquisition of property, plant and equipment	6(29)	(12,050)	(37,024)
Proceeds from disposal of property, plant and equipment		586	2,729
Acquisition of intangible assets		(2,912)	(9,540)
Refundable deposits paid (refunded)		57	(932)
Net decrease in cash due to changes in consolidated entities		(3,860)	-
Net cash provided by (used in) investing activities		(35,530)	65,000
<u>CASH FLOWS FROM FINANCING ACTIVITY</u>			
Proceeds from short-term loan	6(30)	2,749,072	1,582,891
Repayment of short-term loan	6(30)	(2,365,206)	(1,582,500)
Proceeds from long-term loan	6(30)	350,000	350,000
Repayment of long-term loan	6(30)	(383,861)	(282,607)
Guarantee deposits refunded	6(30)	(99)	(1,668)
Repayment of the principal portion of lease liabilities	6(30)	(23,869)	-
Cash dividends paid		(250,991)	(229,603)
Decrease in non-controlling interests		-	109,552
Net cash provided by (used in) financing activities		75,046	(53,935)
Effect of fluctuations in exchange rate		(20,848)	5,143
Net increase (decrease) in cash and cash equivalents		(364,087)	222,000
Cash and cash equivalents at beginning of year	6(1)	1,293,799	1,071,799
Cash and cash equivalents at end of year	6(1)	\$ 929,712	\$ 1,293,799

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

Attachment 3 :

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

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

<p>October 20, 1991. The 12th amendment was made on June 21, 1992. The 13th amendment was made on February 14, 1993. The 14th amendment was made on June 18, 1994. The 15th amendment was made on April 29, 1995. The 16th amendment was made on June 15, 1996. The 17th amendment was made on May 23, 1998. The 18th amendment was made on June 16, 1999. The 19th amendment was made on May 10, 2000. The 20th amendment was made on April 19, 2001. The 21st amendment was made on April 19, 2001. The 22nd amendment was made on May 14, 2002. The 23rd amendment was made on May 22, 2006. The 24th amendment was made on May 22, 2006. The 25th amendment was made on December 14, 2006. The 26th amendment was made on June 13, 2007. The 27th amendment was made on June 16, 2009. The 28th amendment was made on June 14, 2010. The 29th amendment was made on June 22, 2011. The 30th amendment was made on June 21, 2012. The 31st amendment was made on June 20, 2014. The 32nd amendment was made on June 17, 2015. The 33rd amendment was made on June 27, 2016. The 34rd amendment was made on June 16 2017. The 35rd amendment was made on June 25, 2019. The 36rd amendment was made on June 17, 2020.</p>	<p>October 20, 1991. The 12th amendment was made on June 21, 1992. The 13th amendment was made on February 14, 1993. The 14th amendment was made on June 18, 1994. The 15th amendment was made on April 29, 1995. The 16th amendment was made on June 15, 1996. The 17th amendment was made on May 23, 1998. The 18th amendment was made on June 16, 1999. The 19th amendment was made on May 10, 2000. The 20th amendment was made on April 19, 2001. The 21st amendment was made on April 19, 2001. The 22nd amendment was made on May 14, 2002. The 23rd amendment was made on May 22, 2006. The 24th amendment was made on May 22, 2006. The 25th amendment was made on December 14, 2006. The 26th amendment was made on June 13, 2007. The 27th amendment was made on June 16, 2009. The 28th amendment was made on June 14, 2010. The 29th amendment was made on June 22, 2011. The 30th amendment was made on June 21, 2012. The 31st amendment was made on June 20, 2014. The 32nd amendment was made on June 17, 2015. The 33rd amendment was made on June 27, 2016. The 34rd amendment was made on June 16 2017. The 35rd amendment was made on June 25, 2019.</p>
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Attachment 4 :

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

Article 1

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

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

Article 2

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

(Transfer period)

Article 3

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

(Eligibility requirements for transferees)

Article 4

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

(Procedures for transfer of shares)

Article 5

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

(Procedures for transfer of shares)

Article 6

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

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

Article 7

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

Article 7-1

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

(Rights and obligations subsequent to execution of the transfer)

Article 8

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

(Others)

Article 9

Other rights and obligations related to the company and its employees: the chairperson is authorized to

check and handle the implementation details of the repurchase of the company's shares.

Article 10

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

Article 11

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

Article 12

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

Article 13

These regulations were established on March 24, 2020.

Attachment 5 :

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

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

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

Attachment 6 :

Proposal to Remove the Non-competition Related Items of Independent Director Nominees.

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