



**Gallant Precision Machining Co., Ltd.**

2019 Annual Shareholder's Meeting

**Meeting Agenda**  
(Translation)

**Date : June 25, 2019**

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## **Gallant Precision Machining Co., Ltd.**

### **2019 Annual Shareholder's Meeting Procedure**

I. Call Meeting to Order

II. Chairman's Address

III. Report Items

IV. Recognition Items

V. Discussion and Items

VI. Special Motions

VII. Meeting Adjourn

# **Gallant Precision Machining Co., Ltd.**

## **2019 Annual General Shareholders' Meeting Agenda**

**Time : 9:00a.m., June 25, 2019, Tuesday.**

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

### **I. Report Items :**

- (1) To report the Business of 2018.
- (2) Audit committee's review report of 2018.
- (3) To report the distribution of employees' and directors' remuneration of 2018.

### **II. Recognition Items :**

- (1)To accept 2018 Business Report and Financial statements.
- (2)To approve the proposal for the distribution of 2018 earnings.

### **III.Discussion Items:**

- (1) To revise the Articles of Incorporation.
- (2) To revise the Rules for Election of Directors.
- (3) To revise the Procedures for Acquisition and Disposal of Assets.
- (4) To revise the Procedures for Lending Funds to Other Parties.
- (5) To revise the Procedures for Endorsements & Guarantees.

### **IV.Special Motions**

### **V. Meeting Adjourned**

## **Report Items**

### **1. Business report for 2018**

Explanation :

The 2018 Business Report is attached hereto as Attachment 1(pages 8~12).

### **2. Audit committee's review report of 2018.**

Explanation :

The 2018 Audit Committee's review report is as follows:

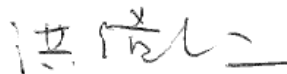
#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earning Distribution Proposal for the year of 2018. Kwok-ah Tsang and LI, TIEN YI, Certified Public Accountants of PWC, have audited the Financial Statements. The 2016 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 2019 General Shareholders' Meeting of Gallant Precision Machining Co., Ltd.

Chairman of the Audit Committee :



May 8, 2019

### **3. To report the distribution of employees' and directors' remuneration of 2018.**

#### Explanation :

As a result of the resolution of the Board of Directors, the Company shall distribute an employee's bonus of NT\$54,418,217 and directors' remuneration of NT\$9,567,152 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.

The actual distribution of remuneration for employees in the year 2017 is NT\$ 164,626 less than the accounting estimated amount, which is due to the changes in the accounting estimation and is recognized as the difference adjustment in expenses in the year 2019. There is no difference between the actual distribution of remuneration for directors and the accounting estimated amount.

### **Recognition Items**

#### **1. To accept 2018 Business Report and Financial statements. (proposed by the Board of Directors)**

##### Explanation :

- (1) The 2018 financial statements of the Company were approved by the Board of Directors on March 26, 2019 and audited by the accountants, Kwok-ah Tsang and LI, TIEN YI of PWC Taiwan, and were sent to the Audit Committee, and an audit report was issued accordingly.
- (2) For the 2018 Business Report, Independent Auditor's Report, and the 2018 Financial Statements, please refer to Attachments 1 and 2 (pages 8~12 and pages 13~36).

##### Resolution :

#### **2. To approve the proposal for the distribution of 2018 earnings. (proposed by the Board of Directors)**

##### Explanation :

- (1) Earnings Distribution Proposal :

Amount in NT\$

| Items  | Amount        |
|--|---------------|
| Unappropriated retained earnings from previous years   | 22,329,639    |
| Less: Effects of retrospective application   | 5,032,077     |
| Retained Earnings Available for Distribution   | 27,361,716    |
| Less: change of remeasurements on defined benefit plan   | (3,131,249)   |
| Plus: Net Income of 2018   | 370,104,697   |
| Less: 10% Legal Reserve  | (37,010,470)  |
| Less: Disposal of investments in equity instruments at fair value through other comprehensive income | (14,389,840)  |
| Retained Earnings Available for Distribution as of December 31, 2018                                 | 342,934,854   |
| Distribution Item:   |               |
| Cash Dividends to Common Share Holders (NT\$1.3 per share)   | (214,676,988) |
| Unappropriated Retained Earnings   | 128,257,866   |

- (2)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.
- (3)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.
- (4)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.

**Resolution :**

## **Discussion Items**

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

#### **Explanation** :

In line with the amendments to "Company Act", "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and operational requirements of the Company, it is proposed to revise the "Articles of Incorporation". The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment 3 on page 37~40.

#### **Resolution** :

### **2. To revise the Rules for Election of Directors. (proposed by the Board of Directors)**

#### **Explanation** :

In line with operational requirements of the Company, it is proposed to revise the "the Rules for Election of Directors." The Comparison Table for the Rules for Election of Directors Before and After Revision is attached hereto as Attachment 4 on page 41.

#### **Resolution** :

### **3. To revise the Procedures for Acquisition and Disposal of Assets. (proposed by the Board of Directors)**

#### **Explanation** :

In accordance with the amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" as issued by FSC in FSC Issuance Certificate No.1070341072 on November 26, 2018, and operational requirements of the Company, it is proposed to revise the "Procedures for Acquisition and Disposal of Assets". The Comparison Table for the Procedures for Acquisition and Disposal of Assets Before and After Revision is attached hereto as Attachment 5 on page 42~57.

#### **Resolution** :

### **4. To revise the Procedures for Lending Funds to Other Parties. (proposed by the Board of Directors)**

Explanation :

In accordance with the amendments to "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" as issued by FSC in FSC Approved Certificate No.1080304826 on March 7, 2019, and operational requirements of the Company, it is proposed to revise the "Procedures for Lending Funds to Other Parties". Comparison Table for the "Procedures for Lending Funds to Other Parties" Before and After Revision is attached hereto as Attachment 6 on page 58~59.

**Resolution :**

**5. To revise the Procedures for Endorsements & Guarantees. (proposed by the Board of Directors)**

Explanation :

In accordance with the amendments to "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" as issued by FSC in FSC Approved Certificate No.1080304826 on March 7, 2019, and operational requirements of the Company, it is proposed to revise the "Procedures for Endorsements & Guarantees". Comparison Table for the "Procedures for Endorsements & Guarantees" Before and After Revision is attached hereto as Attachment 7 on page 60~61.

**Resolution :**

**Special Motions**

**Meeting Adjourns**

## Attachment 1 :

### Gallant Precision Machining Co., Ltd.

#### 2018 Business Report

In 2018, the total operating income of the Company was NT\$3,827,468 thousand, showing a growth of 1.49% over last year. In terms of profit, the net profit after tax was NT\$370,105 thousand, a increase of 84.82% compared with the last year. The gross profit margin decreased by 2.13% from last year and the net profit per share was NT\$2.24.

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

| Financial analysis data               |                    | For 2018 |
|---------------------------------------|--------------------|----------|
| Debt to asset ratio (%)               | (%)                | 54.30    |
| Long-term funds to fixed assets ratio | (%)                | 677.60   |
| Return on total assets                | (%)                | 7.38     |
| Return on shareholders' equity        | (%)                | 15.96    |
| Percentage to paid-in capital (%)     | Operating profit   | 20.6     |
|                                       | Pre-tax net profit | 25.04    |
| Net profit margin                     | (%)                | 9.66     |
| Earnings per Share                    | (NTD)              | 2.24     |

(2) Products that have been developed by the Company in 2018

| R&D Item<br>(Processing<br>Technology) | Names of machine developed                                |
|--|---|
|  | ● High-Throughput Wafer Glass Surface Defect Inspection . |
|  | ● Parts/Material AGV.                                     |
|  | ● IC Substrate Grinding MC.                               |
|  | ● Strip Disc Grinding MC.                                 |

## II. 2019 Business Plan Summary

### 1. Annual Operating Policy

#### (1) Business Aspect

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

A. Based on the refining technology of the existing display manufacturing process, with foreign technical cooperation, focus and deeply develop the FPD ARRAY segment

high value-added PROBER and wet process etching equipment.

- B. Continuously implement the diversification of existing products (such as introduction of IDMS...) and low-cost strategy to increase product competitiveness and profitability, as well as continuously deepen existing core technologies and expand new FPD market (such as  $\mu$ -LED), expand the aftermarket niche.
- C. Profit first. Master the current key forward-looking technology to build a high quality production system, using the Company's electromechanical and software integration technology and QDTCSS as the foundation, the intelligent production management system as the center for the smart factory, unmanned trucks (AGVs) and automation process equipment. Continue the development of intelligent automation, centralize resources to provide strategic partners and key industry representative customers with intelligent automation integration solution, and help achieve their intelligent manufacturing targets.
- D. For AGVs, expand the development of potential customers and promote to other customers' demands. For IDMS, strengthen the promotion of IoT system products to various industries, with the introduction of key industrial equipment, strengthen the promotion of 3DOnline system products to key industries with introduction value. AOI+AI service solutions will be provided to enhance the brand image for customers.
- E. Through technology introduction/cooperation to fulfill the needs of our partners and customers, we are committed to the development of high-value-added advanced semiconductor front-end testing technology, and the testing and flattening of intermediate and back-end packaging process equipment. And improve the performance of existing IC boards, so as to deepen the product line and expand the customer base.
- F. Refine core technologies (AOI, AGVs...), combine resources, get close to the market, provide customer process solutions, focus on deep development quality, innovate to enhance competitiveness and grasp the market trend, enhance customer competitiveness and differentiation.
- G. Innovate sustainable operation, continuously expand cooperation with world-class companies in different industries, to become a long-term automation equipment partner, accelerate the research and development of new products, to help customers launch new products in time and into new markets, to build a long-term stable and profitable system.

## (2) R&D Aspect

Strengthen the development of the Company's eight core technologies: (1) grinding technology; (2) wet process technology; (3) AOI technology; (4) lamination and peeling; (5) precision pick and place technology; (6) precision mold technology; (7) laser technology; (8) intelligent automation technology.

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

The Company's plans to develop following products in 2019:

|  |   |
|--|---|
| R&D Item<br>(Processing<br>Technology) | Names of machine to be developed  |
|  | ● Picosecond Imaging Circuit Analysis · PICA.   |
|  | ● Emission Microscopy · EMMI.   |
|  | ● G10.5 Wet Etching.  |
|  | ● 12”Wafer 2D/3D Defect Inspection & Metrology.   |
|  | ● High precision Grinding Machine for Fan-out packaging.                                    |
|  | ● Panel Temporary Bonding.  |
|  | ● 3D on-line Processing system.   |
|  | ● AGV with visual Simultaneous Localization and Mapping.                                    |
|  | ● Automatic loading and unloading AGV for 300mm wafer cassette.                             |
|  | ● Array Probe TEG Active instant background noise reduction Low Leakage System Development. |
|  | ● Warehouse Automated Guided Vehicle positioning System.                                    |
|  | ● Dual Spindle Strip Grinding.  |
|  | ● Intelligent Diagnosis Maintenance System.   |
| ● Mobile Robot.                        |   |

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

Unit: set

| Main products                      | 2019 budget |
|------------------------------------|-------------|
| Display processing equipment       | 139         |
| Semiconductor processing equipment | 28          |
| Intelligent automation equipment   | 5           |
| Other equipment                    | 2           |

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, effi-

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

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

#### 1. External Competitive Environment and Overall Business Environment:

With the rise of mainland China's panel industry, competition brought by South Korea, and mainland China government's active promotion of equipment localization, the

Company's display business, which is the main source of business in the past, is facing an increasingly fierce competition. The Company will continue strengthening its own product technology and import advanced foreign technology to enhance its product level in order to get rid of the low-cost competition. On top of that, the Company will speed up the pace the expansion in semiconductor and smart production industry and new markets outside the mainland China. Concerning the changes in the industry and business environment, the Company will also respond in a quick, reliable and accurate manner and establish 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:

Mainland China has been transforming from the world's factory to the world's largest consumer market. Labor shortage and soaring costs have become an irreversible trend in the world. Besides, the need for industry automation is still growing. The Company has the application technology for cross-industry automation equipment. In recent years, the Company has been working with renowned customers around the world and has successfully integrated intelligent automation solutions into client's production processes. Therefore, the Company is confident in future development.



Sheng-Fa (Nick) , Yeh  
Chairman



Cheng-Hsin (Jason), Chen  
President



Yu-Chin (Sandy), Ning  
Chief Financial Officer

## **Attachment 2 :**

### **- Independent Auditors' Report and Individual Financial Statements**

#### REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

#### **Opinion**

We have audited the accompanying parent company only financial statements of Gallant Precision Machining Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants as described in the other matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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

### **Evaluation of inventories**

#### Description

Gallant Precision Machining Co., Ltd is primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(11) of the parent company only financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the parent company only financial statements. The inventories and allowance for inventory valuation loss amounting to NT1,038,322 thousand and NT81,226 thousand as of December 31, 2018 are disclosed in Note 6(5) of the parent company only financial statements.

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

#### **How our audit addressed the matter**

Our audit procedures performed included the following:

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

## **Cut-off of revenue recognition**

### Description

Refer to Note 4(25) and Note 6(16) of the parent company only financial statements for accounting policies on revenue recognition and the detail of revenue information. Effects of initial application of IFRS 15“Revenue from contracts with customers” please refer to Note 12(5) of the parent company only financial statements.

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

### How our audit addressed the matter

Our audit procedures performed included the following:

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

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

We did not audit the financial statements of certain investments accounted for under equity method. The financial statements of these investments accounted for under equity method were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements is based solely on the reports of other auditors. The amount of investments accounted for using the equity method on the audit reports of the other independent accountants are NT27,337 thousand and NT66,761 thousand, constituting 1% and 1% of the total assets as of December 31, 2018

and 2017, respectively, and its share of the loss amounting to NT(39,424) thousand and NT(122,847) thousand, constituting (11.40%) and (69.44%) of the total comprehensive income for the years then ended, respectively.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive

to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion . Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation .
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion .

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all rela-

tionships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

March 26, 2019

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

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

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

(Continued)

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

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

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

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

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

|  | Notes | Retained Earnings            |                   |                  |                   | Other equity                     |  |  | Unrealized gain or loss on available-for-sale financial assets | Total equity        |
|--|-------|------------------------------|-------------------|------------------|-------------------|----------------------------------|--|--|--|---------------------|
|  |       | Share capital - common stock | Capital surplus   | Legal reserve    | Special reserve   | Unappropriated retained earnings | Cumulative translation differences of foreign operations | Unrealized gain(loss) on financial assets at fair value through other comprehensive income |  |                     |
| <b>For the year ended December 31, 2017</b>  |       |                              |                   |                  |                   |                                  |  |  |  |                     |
| Balance at January 1, 2017   |       | \$ 1,651,361                 | \$ 242,949        | \$ 40,850        | \$ 132,987        | \$ 305,550                       | (\$ 32,398 )   | \$ -   | (\$ 12,784 )   | \$ 2,328,515        |
| Profit for the year  |       | -                            | -                 | -                | -                 | 200,252                          | -  | -  | -  | 200,252             |
| Other comprehensive income for the year  | 6(15) | -                            | -                 | -                | -                 | ( 5,453 )                        | ( 12,789 )   | -  | ( 5,108 )  | ( 23,350 )          |
| Total comprehensive income for the year  |       | -                            | -                 | -                | -                 | 194,799                          | ( 12,789 )   | -  | ( 5,108 )  | 176,902             |
| Distribution of 2016 earnings  |       |                              |                   |                  |                   |                                  |  |  |  |                     |
| Legal reserve  |       | -                            | -                 | 26,071           | -                 | ( 26,071 )                       | -  | -  | -  | -                   |
| Special reserve  |       | -                            | -                 | -                | 45,182            | ( 45,182 )                       | -  | -  | -  | -                   |
| Cash dividends   | 6(14) | -                            | -                 | -                | -                 | ( 231,191 )                      | -  | -  | -  | ( 231,191 )         |
| Capital reserve-distribute cash  | 6(13) | -                            | ( 66,055 )        | -                | -                 | -                                | -  | -  | -  | ( 66,055 )          |
| Difference between the price for acquisition of subsidiaries and carrying amount               | 6(24) | -                            | 9,871             | -                | -                 | -                                | -  | -  | -  | 9,871               |
| Balance at December 31, 2017   |       | <u>\$ 1,651,361</u>          | <u>\$ 186,765</u> | <u>\$ 66,921</u> | <u>\$ 178,169</u> | <u>\$ 197,905</u>                | <u>(\$ 45,187 )</u>                                      | <u>\$ -</u>  | <u>(\$ 17,892 )</u>  | <u>\$ 2,218,042</u> |
| <b>For the year ended December 31, 2018</b>  |       |                              |                   |                  |                   |                                  |  |  |  |                     |
| 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(15) | -                            | -                 | -                | -                 | ( 3,131 )                        | ( 19,099 )   | ( 1,939 )  | -  | ( 24,169 )          |
| Total comprehensive income for the year  |       | -                            | -                 | -                | -                 | 366,974                          | ( 19,099 )   | ( 1,939 )  | -  | 345,936             |
| Distribution of 2017 earnings:   |       |                              |                   |                  |                   |                                  |  |  |  |                     |
| Legal reserve  |       | -                            | -                 | 19,791           | -                 | ( 19,791 )                       | -  | -  | -  | -                   |
| Special reserve  |       | -                            | -                 | -                | ( 45,182 )        | 45,182                           | -  | -  | -  | -                   |
| Cash dividends   | 6(14) | -                            | -                 | -                | -                 | ( 200,966 )                      | -  | -  | -  | ( 200,966 )         |
| Effect of changes in the net equity of subsidiary accounted for under equity method            | 6(13) | -                            | 12,326            | -                | -                 | -                                | -  | -  | -  | 12,326              |
| Disposal of investments in equity instruments at fair value through other comprehensive income |       | -                            | -                 | -                | -                 | ( 14,390 )                       | -  | 14,390   | -  | -                   |
| Balance at December 31, 2018   |       | <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> |

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, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars)

|   | Notes     | 2016        | 2015        |
|---|-----------|-------------|-------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u>   |           |             |             |
| Profit before tax for the year  |           | \$ 413,553  | \$ 269,264  |
| Adjustments   |           |             |             |
| Adjustments to reconcile profit (loss)  |           |             |             |
| Depreciation  | 6(20)     | 16,400      | 15,895      |
| Amortization  | 6(20)     | 39,667      | 29,676      |
| Net gain on financial assets or liabilities at fair value through profit or loss    | 6(18)     | ( 2,276 )   | ( 2,538 )   |
| Loss on disposal of available-for-sale financial assets                             | 6(18)     | -           | 694         |
| Expected credit loss (gain)/ Provision for doubtful accounts                        | 12(2) (5) | ( 23,043 )  | 37,045      |
| Interest expense  | 6(19)     | 17,995      | 15,366      |
| Interest income   | 6(17)     | ( 2,937 )   | ( 1,779 )   |
| Share of profits of associates and joint ventures accounted for using equity method |           | ( 5,968 )   | 165,822     |
| Property, plant and equipment transferred to expenses                               |           | 1,648       | -           |
| Unrealized loss from sales  |           | 80          | 178         |
| Realized (profits) loss from sales  |           | ( 178 )     | ( 53 )      |
| Changes in assets/liabilities relating to operating activities                      |           |             |             |
| Net changes in assets relating to operating activities                              |           |             |             |
| Financial assets at fair value through profit or loss - current                     |           | ( 243,778 ) | 352,987     |
| Notes receivable  |           | 1,814       | 29,613      |
| Accounts receivable   |           | ( 168,504 ) | ( 55,538 )  |
| Accounts receivable - related parties   |           | -           | 1,991       |
| Other receivables   |           | 1,273       | 3,119       |
| Other receivables - related parties   |           | -           | 12,456      |
| Inventories   |           | 327,760     | ( 339,900 ) |
| Prepayments   |           | ( 4,178 )   | 12,283      |
| Other current assets  |           | 1,305       | ( 448 )     |
| Net changes in liabilities relating to operating activities                         |           |             |             |
| Contract liabilities  |           | ( 93,425 )  | -           |
| Accounts payable  |           | ( 88,434 )  | 62,339      |
| Accounts payable - related parties  |           | ( 4,417 )   | 4,416       |
| Other payables  |           | 41,615      | ( 63,220 )  |
| Provisions for liabilities  |           | 4,641       | ( 6,276 )   |
| Unearned receipts   |           | ( 752 )     | ( 321,139 ) |
| Other current liabilities   |           | 375         | 542         |
| Accrued pension liabilities   |           | ( 5,559 )   | ( 7,936 )   |
| Cash generated from operations  |           | 224,677     | 214,859     |
| Income tax paid   |           | ( 80,680 )  | ( 58,452 )  |
| Interest received   |           | 2,458       | 1,957       |
| Interest paid   |           | ( 16,162 )  | ( 14,918 )  |
| Net cash provided by operating activities   |           | 130,293     | 143,446     |

(Continued)

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

|   | <u>Notes</u> | <u>2016</u>        | <u>2015</u>        |
|---|--------------|--------------------|--------------------|
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                              |              |                    |                    |
| Proceeds from disposal of bond investments without active markets               |              | \$ -               | \$ 74,453          |
| Acquisition of financial assets at amortized cost                               |              | ( 27,608 )         | -                  |
| Decrease in other financial assets - current                                    |              | -                  | 11,309             |
| Decrease in other financial assets - non-current                                |              | -                  | 4,887              |
| Proceeds from disposal of financial assets                                      |              | 13,955             | 1,054              |
| Acquisition of investments accounted for using equity method                    |              | ( 30,900 )         | ( 34,203 )         |
| Proceeds from disposal of investments accounted for using equity method         |              | -                  | 41,036             |
| Proceeds from decrease capital of investments accounted for using equity method |              | 89,790             | -                  |
| Acquisition of property, plant and equipment                                    | 6(26)        | ( 10,768 )         | ( 4,975 )          |
| Proceeds from disposal of property, plant and equipment                         |              | -                  | 240                |
| Acquisition of intangible assets  |              | ( 1,498 )          | ( 616 )            |
| Refundable deposits refunded  |              | ( 557 )            | ( 52 )             |
| Dividends received from investments accounted for using equity method           |              | <u>48,515</u>      | <u>60,202</u>      |
| Net cash provided by (used in) investing activities                             |              | <u>80,929</u>      | <u>153,335</u>     |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>                              |              |                    |                    |
| Increase in short-term loans  | 6(27)        | 1,306,798          | 1,798,741          |
| Repayment of short-term loans   | 6(27)        | ( 1,276,407 )      | ( 1,766,163 )      |
| Increase in long-term loans   | 6(27)        | 350,000            | -                  |
| Repayment of long-term loans  | 6(27)        | ( 242,869 )        | ( 27,771 )         |
| Guarantee deposits received   |              | ( 1,668 )          | ( 23 )             |
| Payment of cash dividends   |              | ( <u>200,966</u> ) | ( <u>297,246</u> ) |
| Net cash used in financing activities   |              | ( <u>65,112</u> )  | ( <u>292,462</u> ) |
| Net increase in cash and cash equivalents                                       |              | 146,110            | 4,319              |
| Cash and cash equivalents at beginning of year                                  | 6(1)         | <u>475,480</u>     | <u>471,161</u>     |
| Cash and cash equivalents at end of year  | 6(1)         | <u>\$ 621,590</u>  | <u>\$ 475,480</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.

#### **Opinion**

We have audited the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of the other independent accountants, as described in the other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### **Basis for opinion**

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audits report of the other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most signifi-

cance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

## **Evaluation of inventories**

### **Description**

Gallant Precision Machining Co., Ltd. and its subsidiaries are primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(13) of the consolidated financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the consolidated financial statements. The inventories and allowance for inventory valuation loss amounting to NT1,398,360 thousand and NT175,517 thousand as of December 31, 2018 are disclosed in Note 6(6) of the consolidated financial statements.

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

### **How our audit addressed the matter**

Our audit procedures performed included the following:

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(27) and Note 6(18) of the consolidated financial statements for accounting policies on revenue recognition and the detail of revenue information. Effects of initial application of IFRS 15 “Revenue from contracts with customers”, please refer to Note12(5) of the consolidated financial statements.

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

## **How our audit addressed the matter**

Our audit procedures performed included the following:

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\$27,337 thousand and NT\$66,761 thousand, constituting 0.42% and 1.07% of consolidated total assets as of December 31, 2018 and 2017, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method was NT(\$39,424) thousand and NT(\$122,847) thousand, constituting (10.43%) and (56.69%) of consolidated total comprehensive income for the years ended December 31, 2018 and 2017, respectively.

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

We have audited and expressed an unqualified opinion on the parent company only financial statements of Gallant Precision Machining Co., Ltd. as of and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan  
March 26, 2019

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

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

| Assets                    | Notes   | December 31, 2018 |                     | December 31, 2017 |                     |            |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
|                           |   | AMOUNT            | %                   | AMOUNT            | %                   |            |
| <b>Current assets</b>     |   |                   |                     |                   |                     |            |
| 1100                      | Cash and cash equivalents   | 6(1)              | \$ 1,293,799        | 20                | \$ 1,071,799        | 17         |
| 1110                      | Financial assets at fair value through profit or loss - current                 | 6(2)              | 278,730             | 4                 | 32,676              | 1          |
| 1136                      | Financial assets at amortized cost - current                                    | 6(4)              | 860,861             | 13                | -                   | -          |
| 1147                      | Investments in debt instrument without active markets                           |                   | -                   | -                 | 963,980             | 15         |
| 1150                      | Notes receivable, net   | 6(5)              | 44,893              | 1                 | 38,138              | 1          |
| 1170                      | Accounts receivable, net  | 6(5)              | 1,787,401           | 27                | 1,546,436           | 25         |
| 1200                      | Other receivables   |                   | 15,499              | -                 | 8,076               | -          |
| 130X                      | Inventories, net  | 6(6)              | 1,222,843           | 19                | 1,510,629           | 24         |
| 1410                      | Prepayments   |                   | 39,883              | 1                 | 55,068              | 1          |
| 1470                      | Other current assets  |                   | 12,123              | -                 | 27,589              | -          |
| 11XX                      | <b>Current Assets</b>   |                   | <u>5,556,032</u>    | <u>85</u>         | <u>5,254,391</u>    | <u>84</u>  |
| <b>Non-current assets</b> |   |                   |                     |                   |                     |            |
| 1517                      | Financial assets at fair value through other comprehensive income - non-current | 6(3)              | 125,024             | 2                 | -                   | -          |
| 1523                      | Available-for-sale financial assets - non-current                               |                   | -                   | -                 | 12,908              | -          |
| 1535                      | Financial assets at amortized cost - non-current                                | 6(4)              | 26,605              | -                 | -                   | -          |
| 1543                      | Financial assets carried at cost - non-current                                  |                   | -                   | -                 | 66,419              | 1          |
| 1550                      | Investments accounted for using equity method                                   | 6(7)              | 27,337              | 1                 | 66,761              | 1          |
| 1600                      | Property, plant and equipment, net  | 6(8)              | 622,497             | 10                | 624,659             | 10         |
| 1780                      | Intangible assets, net  |                   | 65,961              | 1                 | 96,768              | 2          |
| 1840                      | Deferred income tax assets  | 6(24)             | 90,642              | 1                 | 78,425              | 1          |
| 1900                      | Other non-current assets  |                   | 7,098               | -                 | 24,375              | 1          |
| 15XX                      | <b>Non-current assets</b>   |                   | <u>965,164</u>      | <u>15</u>         | <u>970,315</u>      | <u>16</u>  |
| 1XXX                      | <b>Total assets</b>   |                   | <u>\$ 6,521,196</u> | <u>100</u>        | <u>\$ 6,224,706</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, 2018 |                     | December 31, 2017 |                     |            |
|---|--|-------------------|---------------------|-------------------|---------------------|------------|
|   |  | AMOUNT            | %                   | AMOUNT            | %                   |            |
| <b>Current liabilities</b>  |  |                   |                     |                   |                     |            |
| 2100  | Short-term loans   | 6(9)              | \$ 735,121          | 11                | \$ 734,730          | 12         |
| 2130  | Contract liabilities-current                               | 6(18)             | 59,219              | 1                 | -                   | -          |
| 2170  | Accounts payable   | 6(10)             | 1,562,542           | 24                | 1,633,421           | 26         |
| 2180  | Accounts payable - related parties                         | 7                 | 8,643               | -                 | 4,416               | -          |
| 2200  | Other payables   | 6(11)             | 394,664             | 6                 | 336,968             | 6          |
| 2230  | Current income tax liabilities                             | 6(24)             | 38,514              | -                 | 60,667              | 1          |
| 2250  | Provisions for liabilities-current                         |                   | 187,448             | 3                 | 187,573             | 3          |
| 2300  | Other current liabilities                                  | 6(12)             | 41,376              | 1                 | 207,150             | 3          |
| 21XX  | <b>Current Liabilities</b>                                 |                   | <u>3,027,527</u>    | <u>46</u>         | <u>3,164,925</u>    | <u>51</u>  |
| <b>Non-current liabilities</b>                                      |  |                   |                     |                   |                     |            |
| 2527  | Contract liabilities-non-current                           | 6(18)             | 9,702               | -                 | -                   | -          |
| 2540  | Long-term loans  | 6(12)             | 473,439             | 8                 | 391,641             | 6          |
| 2570  | Deferred income tax liabilities                            | 6(24)             | 69,516              | 1                 | 42,299              | 1          |
| 2600  | Other non-current liabilities                              |                   | 80,481              | 1                 | 85,134              | 1          |
| 25XX  | <b>Non-current liabilities</b>                             |                   | <u>633,138</u>      | <u>10</u>         | <u>519,074</u>      | <u>8</u>   |
| 2XXX  | <b>Total Liabilities</b>                                   |                   | <u>3,660,665</u>    | <u>56</u>         | <u>3,683,999</u>    | <u>59</u>  |
| <b>Equity attributable to owners of parent company</b>              |  |                   |                     |                   |                     |            |
| <b>Share capital</b>  |  |                   |                     |                   |                     |            |
| 3110  | Share capital-common stock                                 | 6(14)             | 1,651,361           | 25                | 1,651,361           | 27         |
| <b>Capital surplus</b>  |  |                   |                     |                   |                     |            |
| 3200  | Capital surplus  | 6(15)             | 199,091             | 3                 | 186,765             | 3          |
| <b>Retained earnings</b>  |  |                   |                     |                   |                     |            |
| 3310  | Legal reserve  | 6(16)             | 86,712              | 1                 | 66,921              | 1          |
| 3320  | Special reserve  |                   | 132,987             | 2                 | 178,169             | 3          |
| 3350  | Unappropriated retained earnings                           |                   | 379,946             | 6                 | 197,905             | 3          |
| <b>Other equity interest</b>  |  |                   |                     |                   |                     |            |
| 3400  | Other equity interest                                      | 6(17)             | ( 32,471 )          | -                 | ( 63,079 )          | ( 1 )      |
| 31XX  | <b>Equity attributable to owners of the parent company</b> |                   | <u>2,417,626</u>    | <u>37</u>         | <u>2,218,042</u>    | <u>36</u>  |
| 36XX  | <b>Non-controlling interest</b>                            |                   | <u>442,905</u>      | <u>7</u>          | <u>322,665</u>      | <u>5</u>   |
| 3XXX  | <b>Total equity</b>  |                   | <u>2,860,531</u>    | <u>44</u>         | <u>2,540,707</u>    | <u>41</u>  |
| <b>Contingent liabilities and unrecognised contract commitments</b> |  |                   |                     |                   |                     |            |
| 3X2X  | <b>Total liabilities and equity</b>                        |                   | <u>\$ 6,521,196</u> | <u>100</u>        | <u>\$ 6,224,706</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 |              |      |  |
|-------|--|---------------------|--------------|-------------------------|--------------|------|--|
|       |  |                     |              | 2018                    |              | 2017 |  |
| Items | Notes  | AMOUNT              | %            | AMOUNT                  | %            |      |  |
| 4000  | <b>Operating revenue</b>   | \$ 4,873,153        | 100          | \$ 4,839,887            | 100          |      |  |
| 5000  | <b>Operating costs</b>   | ( 3,586,821)        | ( 74)        | ( 3,527,537)            | ( 73)        |      |  |
| 5900  | <b>Net operating margin</b>  | <u>1,286,332</u>    | <u>26</u>    | <u>1,312,350</u>        | <u>27</u>    |      |  |
|       | <b>Operating expenses</b>  |                     |              |                         |              |      |  |
| 6100  | Selling expenses   | ( 186,408)          | ( 3)         | ( 204,158)              | ( 4)         |      |  |
| 6200  | General and administrative expenses  | ( 382,662)          | ( 8)         | ( 299,240)              | ( 6)         |      |  |
| 6300  | Research and development expenses  | ( 337,534)          | ( 7)         | ( 343,153)              | ( 7)         |      |  |
| 6450  | Impairment loss (gain)   | 53,499              | 1            | -                       | -            |      |  |
| 6000  | <b>Total operating expenses</b>  | <u>( 853,105)</u>   | <u>( 17)</u> | <u>( 846,551)</u>       | <u>( 17)</u> |      |  |
| 6900  | <b>Operating profit</b>  | <u>433,227</u>      | <u>9</u>     | <u>465,799</u>          | <u>10</u>    |      |  |
|       | <b>Non-operating income and expenses</b>   |                     |              |                         |              |      |  |
| 7010  | Other income   | 81,097              | 2            | 84,099                  | 2            |      |  |
| 7020  | Other gains and losses   | 40,033              | 1            | ( 70,584)               | ( 2)         |      |  |
| 7050  | Finance costs  | ( 22,860)           | ( 1)         | ( 18,154)               | -            |      |  |
| 7060  | Share of profit of associates and joint ventures accounted for under equity method                             | ( 39,424)           | ( 1)         | ( 122,847)              | ( 3)         |      |  |
| 7000  | <b>Total non-operating income and expenses</b>   | <u>58,846</u>       | <u>1</u>     | <u>( 127,486)</u>       | <u>( 3)</u>  |      |  |
| 7900  | <b>Profit before tax</b>   | 492,073             | 10           | 338,313                 | 7            |      |  |
| 7950  | Income tax expense   | ( 85,806)           | ( 2)         | ( 107,632)              | ( 2)         |      |  |
| 8200  | <b>Profit for the year</b>   | <u>\$ 406,267</u>   | <u>8</u>     | <u>\$ 230,681</u>       | <u>5</u>     |      |  |
|       | <b>Other comprehensive income for the year</b>   |                     |              |                         |              |      |  |
|       | <b>Items that will not be reclassified subsequently to profit or loss:</b>                                     |                     |              |                         |              |      |  |
| 8311  | Loss on remeasurements of defined benefit plan   | ( \$ 3,131)         | -            | ( \$ 5,453)             | -            |      |  |
| 8316  | Unrealized gain on investments in equity instruments at fair value through other comprehensive income          | 9,976               | -            | -                       | -            |      |  |
| 8349  | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | ( 11,541)           | -            | -                       | -            |      |  |
| 8310  | <b>Items that will not be reclassified subsequently to profit or loss:</b>                                     | <u>( 4,696)</u>     | <u>-</u>     | <u>( 5,453)</u>         | <u>-</u>     |      |  |
|       | <b>Items that may be reclassified subsequently to profit or loss:</b>  |                     |              |                         |              |      |  |
| 8361  | Cumulative translation differences of foreign operations   | ( 23,698)           | -            | ( 14,362)               | ( 1)         |      |  |
| 8362  | Unrealized loss on valuation of available-for-sale financial assets  | -                   | -            | ( 5,046)                | -            |      |  |
| 8360  | <b>Summary of Components of other comprehensive income that will be reclassified to profit or loss</b>         | <u>( 23,698)</u>    | <u>-</u>     | <u>( 19,408)</u>        | <u>( 1)</u>  |      |  |
| 8300  | <b>Other comprehensive (loss) income for the year</b>  | <u>( \$ 28,394)</u> | <u>-</u>     | <u>( \$ 24,861)</u>     | <u>( 1)</u>  |      |  |
| 8500  | <b>Total comprehensive income for the year</b>   | <u>\$ 377,873</u>   | <u>8</u>     | <u>\$ 205,820</u>       | <u>4</u>     |      |  |
|       | <b>Profit attributable to:</b>   |                     |              |                         |              |      |  |
| 8610  | Equity holders of the parent company   | \$ 370,105          | 7            | \$ 200,252              | 4            |      |  |
| 8620  | Non-controlling interest   | 36,162              | 1            | 30,429                  | 1            |      |  |
|       | <b>Profit for the year</b>   | <u>\$ 406,267</u>   | <u>8</u>     | <u>\$ 230,681</u>       | <u>5</u>     |      |  |
|       | <b>Total comprehensive income attributable to:</b>   |                     |              |                         |              |      |  |
| 8710  | Equity holders of the parent company   | \$ 345,936          | 7            | \$ 176,902              | 3            |      |  |
| 8720  | Non-controlling interest   | 31,937              | 1            | 28,918                  | 1            |      |  |
|       | <b>Total comprehensive income for the year</b>   | <u>\$ 377,873</u>   | <u>8</u>     | <u>\$ 205,820</u>       | <u>4</u>     |      |  |
|       | <b>Basic earnings per share</b>  |                     |              |                         |              |      |  |
| 9750  | <b>Profit for the year</b>   | <u>\$</u>           | <u>2.24</u>  | <u>\$</u>               | <u>1.21</u>  |      |  |
|       | <b>Diluted earnings per share</b>  |                     |              |                         |              |      |  |
| 9850  | <b>Profit for the year</b>   | <u>\$</u>           | <u>2.20</u>  | <u>\$</u>               | <u>1.20</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, 2018 AND 2017**  
(Expressed in thousands of New Taiwan dollars)

|  | Notes | Equity attributable to owners of the parent |                    |                    |                      |                                     |   |  |  |              |                                 |              |
|--|-------|---|--------------------|--------------------|----------------------|-------------------------------------|---|--|--|--------------|---------------------------------|--------------|
|  |       | Share capital-<br>common<br>stock           | Capital<br>surplus | Legal re-<br>serve | Special re-<br>serve | Unappropriated<br>retained earnings | Cumulative trans-<br>lation differences<br>of foreign opera-<br>tions | Other Equity Interest<br>Unrealized<br>gain(loss) on finan-<br>cial assets at fair<br>value through<br>other comprehen-<br>sive income | Unrealized gain or<br>loss on availa-<br>ble-for- sale finan-<br>cial assets | Total        | Non-<br>controlling<br>interest | Total equity |
| <b>For the year ended December 31, 2017</b>  |       |   |                    |                    |                      |                                     |   |  |  |              |                                 |              |
| Balance at January 1, 2017   |       | \$ 1,651,361                                | \$ 242,949         | \$ 40,850          | \$ 132,987           | \$ 305,550                          | (\$ 32,398)   | \$ -   | (\$ 12,784)  | \$ 2,328,515 | \$ 278,868                      | \$ 2,607,383 |
| Profit for the year  |       | -   | -                  | -                  | -                    | 200,252                             | -   | -  | -  | 200,252      | 30,429                          | 230,681      |
| Other comprehensive income for the year  |       | -   | -                  | -                  | -                    | (5,453)                             | (12,789)  | -  | (5,108)  | (23,350)     | (1,511)                         | (24,861)     |
| Total comprehensive income for the year  |       | -   | -                  | -                  | -                    | 194,799                             | (12,789)  | -  | (5,108)  | 176,902      | 28,918                          | 205,820      |
| Distribution of 2016 earnings:   |       |   |                    |                    |                      |                                     |   |  |  |              |                                 |              |
| Legal reserve  | 6(16) | -   | -                  | 26,071             | -                    | (26,071)                            | -   | -  | -  | -            | -                               | -            |
| Special reserve  | 6(16) | -   | -                  | -                  | 45,182               | (45,182)                            | -   | -  | -  | -            | -                               | -            |
| Cash dividends   | 6(16) | -   | -                  | -                  | -                    | (231,191)                           | -   | -  | -  | (231,191)    | -                               | (231,191)    |
| Capital reserve-distribute cash  | 6(16) | -   | (66,055)           | -                  | -                    | -                                   | -   | -  | -  | (66,055)     | -                               | (66,055)     |
| Difference between the price for acquisition of subsidiaries and carrying amount               |       | -   | 9,871              | -                  | -                    | -                                   | -   | -  | -  | 9,871        | 27,332                          | 37,203       |
| Cash dividends paid from subsidiaries  |       | -   | -                  | -                  | -                    | -                                   | -   | -  | -  | -            | (29,809)                        | (29,809)     |
| Changes in non-controlling interest  |       | -   | -                  | -                  | -                    | -                                   | -   | -  | -  | -            | 17,356                          | 17,356       |
| Balance at December 31, 2017   |       | \$ 1,651,361                                | \$ 186,765         | \$ 66,921          | \$ 178,169           | \$ 197,905                          | (\$ 45,187)   | \$ -   | (\$ 17,892)  | \$ 2,218,042 | \$ 322,665                      | \$ 2,540,707 |
| <b>For the year ended December 31, 2018</b>  |       |   |                    |                    |                      |                                     |   |  |  |              |                                 |              |
| Balance at January 1, 2018   |       | \$ 1,651,361                                | \$ 186,765         | \$ 66,921          | \$ 178,169           | \$ 197,905                          | (\$ 45,187)   | \$ -   | (\$ 17,892)  | \$ 2,218,042 | \$ 322,665                      | \$ 2,540,707 |
| Effects of retrospective application   |       | -   | -                  | -                  | -                    | 5,032                               | -   | 19,364   | 17,892   | 42,288       | 7,388                           | 49,676       |
| Balance at January 1, 2018 after adjustments   |       | 1,651,361                                   | 186,765            | 66,921             | 178,169              | 202,937                             | (45,187)  | 19,364   | -  | 2,260,330    | 330,053                         | 2,590,383    |
| Profit for the year  |       | -   | -                  | -                  | -                    | 370,105                             | -   | -  | -  | 370,105      | 36,162                          | 406,267      |
| Other comprehensive income for the year  | 6(17) | -   | -                  | -                  | -                    | (3,131)                             | (19,099)  | (1,939)  | -  | (24,169)     | (4,225)                         | (28,394)     |
| Total comprehensive income for the year  |       | -   | -                  | -                  | -                    | 366,974                             | (19,099)  | (1,939)  | -  | 345,936      | 31,937                          | 377,873      |
| Distribution of 2017 earnings:   |       |   |                    |                    |                      |                                     |   |  |  |              |                                 |              |
| Legal reserve  | 6(16) | -   | -                  | 19,791             | -                    | (19,791)                            | -   | -  | -  | -            | -                               | -            |
| Special reserve  | 6(16) | -   | -                  | -                  | (45,182)             | 45,182                              | -   | -  | -  | -            | -                               | -            |
| Cash dividends   | 6(16) | -   | -                  | -                  | -                    | (200,966)                           | -   | -  | -  | (200,966)    | -                               | (200,966)    |
| Disposal of investments in equity instruments at fair value through other comprehensive income | 6(17) | -   | -                  | -                  | -                    | (14,390)                            | -   | 14,390   | -  | -            | -                               | -            |
| Recognition of changes in equities of subsidiaries   | 6(26) | -   | 12,326             | -                  | -                    | -                                   | -   | -  | -  | 12,326       | -                               | 12,326       |
| Cash dividends paid from subsidiaries  |       | -   | -                  | -                  | -                    | -                                   | -   | -  | -  | -            | (28,637)                        | (28,637)     |
| Changes in non-controlling interest  |       | -   | -                  | -                  | -                    | -                                   | -   | -  | -  | -            | 109,552                         | 109,552      |
| Balance at December 31, 2018   |       | \$ 1,651,361                                | \$ 199,091         | \$ 86,712          | \$ 132,987           | \$ 379,946                          | (\$ 64,286)   | \$ 31,815  | \$ -   | \$ 2,417,626 | \$ 442,905                      | \$ 2,860,531 |

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

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

|   | Notes     | 2016           | 2015           |
|---|-----------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |           |                |                |
| Consolidated profit before tax for the year   |           | \$ 492,073     | \$ 338,313     |
| Adjustments   |           |                |                |
| Income and expenses having no effect on cash flow   |           |                |                |
| Depreciation  | 6(8) (22) | 31,508         | 38,253         |
| Amortization  | 6(22)     | 41,792         | 30,997         |
| Expected credit loss (gain)/ Provision for doubtful accounts                                |           | ( 53,499 )     | 43,442         |
| Gain on financial assets or liabilities at fair value through profit or loss, net           | 6(20)     | ( 2,307 )      | ( 2,538 )      |
| Interest expense  | 6(21)     | 22,860         | 18,154         |
| Interest income   | 6(19)     | ( 16,738 )     | 14,662         |
| Dividend income   | 6(19)     | ( 1,868 )      | -              |
| Share of profit of associates and joint ventures accounted for using equity method          |           | 39,424         | 122,847        |
| Property, plant and equipment transferred to expenses                                       |           | 1,648          | -              |
| (Gain)/loss on disposal of property, plant and equipment, net                               | 6(20)     | 85             | 678            |
| Proceeds from disposal of financial assets at fair value through other comprehensive income |           | -              | 694            |
| Changes in assets/liabilities relating to operating activities                              |           |                |                |
| Net changes in assets relating to operating activities                                      |           |                |                |
| Financial assets at fair value through profit or loss - current                             |           | ( 243,747 )    | 352,987        |
| Notes receivable  |           | ( 7,644 )      | 16,333         |
| Accounts receivable   |           | ( 189,889 )    | 41,349         |
| Accounts receivable - related parties   |           | -              | 293            |
| Other receivables   |           | ( 3,359 )      | 6,188          |
| Inventories   |           | 285,898        | ( 323,427 )    |
| Prepayments   |           | 14,804         | ( 11,792 )     |
| Other current assets  |           | 1,349          | ( 946 )        |
| Other non-current assets  |           | ( 221 )        | ( 9 )          |
| Net changes in liabilities relating to operating activities                                 |           |                |                |
| Contract liabilities  |           | ( 81,219 )     | -              |
| Accounts payable  |           | ( 69,561 )     | 120,701        |
| Accounts payable - related parties  |           | 4,485          | 4,725          |
| Other payables  |           | 57,400         | ( 64,295 )     |
| Provisions for liabilities  |           | 71             | ( 7,698 )      |
| Unearned receipts   |           | ( 2,276 )      | ( 340,082 )    |
| Other current liabilities   |           | 1,112          | ( 1,401 )      |
| Accrued pension liabilities   |           | ( 5,573 )      | ( 7,950 )      |
| Cash generated from operations  |           | 316,608        | 361,154        |
| Interest received   |           | 12,745         | 14,576         |
| Dividends received  |           | 1,870          | -              |
| Interest paid   |           | ( 21,039 )     | ( 17,553 )     |
| Income tax paid   |           | ( 104,392 )    | ( 87,671 )     |
| Net cash provided by operating activities   |           | <u>205,792</u> | <u>270,506</u> |

(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                |
|---|-------|---------------------|---------------------|
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |       |                     |                     |
| Increase in other financial assets - current  |       | \$ -                | \$ 5,331            |
| Proceeds from disposal of financial assets at amortized cost                                |       | 126,420             | -                   |
| Proceeds from disposal of bond investments without active markets                           |       | -                   | 41,816              |
| Proceeds from disposal of financial assets at fair value through other comprehensive income |       | 13,955              | 1,054               |
| Acquisition of property, plant and equipment  | 6(28) | ( 37,024 )          | ( 167,682 )         |
| Proceeds from disposal of property, plant and equipment                                     |       | 2,729               | 531                 |
| Acquisition of intangible assets  |       | ( 9,540 )           | ( 6,428 )           |
| Refundable deposits refunded (paid)   |       | ( 932 )             | ( 636 )             |
| Decrease in other financial assets  |       | -                   | 949                 |
| Acquisition of financial assets at amortized cost   |       | ( 30,608 )          | -                   |
| Net cash provided by (used in) investing activities   |       | <u>65,000</u>       | <u>( 125,065 )</u>  |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITY</u></b>  |       |                     |                     |
| Proceeds from short-term loan   |       | 1,582,891           | 2,118,999           |
| Repayment of short-term loan  |       | ( 1,582,500 )       | ( 1,926,422 )       |
| Proceeds from long-term loan  |       | 350,000             | 129,000             |
| Repayment of long-term loan   |       | ( 282,607 )         | ( 27,772 )          |
| Guarantee deposits refunded   |       | ( 1,668 )           | ( 23 )              |
| Proceeds from transaction with non-controlling interests                                    | 6(26) | -                   | ( 3,833 )           |
| Acquisition of transaction with non-controlling interests                                   | 6(26) | -                   | 41,036              |
| Increase in non-controlling interests   |       | 109,552             | 17,944              |
| Decrease in non-controlling interests   |       | -                   | ( 29,809 )          |
| Cash dividends paid   |       | ( 229,603 )         | ( 297,246 )         |
| Net cash provided by (used in) financing activities   |       | <u>( 53,935 )</u>   | <u>21,874</u>       |
| Effect of fluctuations in exchange rate   |       | <u>5,143</u>        | <u>( 5,707 )</u>    |
| Net increase (decrease) in cash and cash equivalents  |       | 222,000             | 161,608             |
| Cash and cash equivalents at beginning of year  | 6(1)  | <u>1,071,799</u>    | <u>910,191</u>      |
| Cash and cash equivalents at end of year  | 6(1)  | <u>\$ 1,293,799</u> | <u>\$ 1,071,799</u> |

**Attachment 3 :**

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

| Article      | After the Version   | Before the Version  |
|--------------|---|---|
| Article 8    | <p>The share certificates of the Company shall all be registered share certificates, shall be signed or sealed by the directors on behalf of the Company, and shall be issued upon the approval of the competent authority or its authorized issuance registration authority.</p> <p><u>The Company may deliver shares by book-entry method in accordance with relevant rules and regulations, without printing share certificate(s); the same applies with other securities issuance.</u></p>  | <p>The share certificates of the Company shall all be registered share certificates, shall be signed or sealed by three or more directors of the Company, and issued upon the approval of the competent authority or its authorized issuance registration authority.</p> <p><u>The Company may issue shares without printing share certificate(s), and shall register the shares with a centralized securities depository institution.</u></p>            |
| Article 10   | <p>All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Company shall follow the “Guidelines for Stock Operations for Public Companies” unless specified otherwise by law or regulations.</p>   | <p>All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Company shall follow the law or regulations. Taiwan Depository &amp; Clearing Corporation (TDCC) may request to combine and issue large-denomination securities.</p>  |
| Article 17-1 | <p>In accordance with Article 14-2 of the Securities and Exchange Act, the Company shall appoint independent directors in the above-mentioned directors. The number of Independent Directors shall not be less than three and no less than one fifth of the total number of Directors. The election of Independent directors and non-independent directors shall be held together and the number of elected directors shall be calculated separately.</p> <p><u>The professional qualifications, shareholding, concurrent posts restrictions, nomination and election methods of independent directors and other matters that should be complied with, shall be handled in accordance with relevant laws and regulations.</u></p> | <p>In accordance with Article 14-2 of the Securities and Exchange Act, the Company shall appoint independent directors in the above-mentioned directors. The number of Independent Directors shall not be less than three and no less than one fifth of the total number of Directors. The election of Independent directors and non-independent directors shall be held together and the number of elected directors shall be calculated separately.</p> |
| Article 17-2 | <p>In compliance with Article 14-4 of the Securities and Exchange Act, The Company shall establish an Audit Committee, which shall consist of all independent directors. There shall be no fewer than three people in Audit Committee, one of</p>   | <p>The Company's independent directors shall be elected by adopting candidates nomination system. A shareholder holding one percent or more of the total number of issued shares and the board of director shall present the list of inde-</p>  |

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|              | <p>whom shall be convener, and at least one of whom shall have accounting or financial expertise.</p> <p>The resolution of the audit committee shall be conducted in accordance with relevant laws and regulations.</p>   | <p>pendent director candidates to the Company, upon review by the board of directors in accordance with relevant laws and regulations that all candidates so nominated are qualified independent director candidates, submit it to the shareholders' meeting for elections among the list of independent director candidates.</p> <p>All matters related to the acceptance and announcement of the nomination of independent director candidates shall be handled in accordance with the Company Act and the relevant laws and regulations of the Securities and Exchange Act.</p>  |
| Article 17-3 |   | <p>In compliance with Article 14-4 of the Securities and Exchange Act, The Company shall establish an Audit Committee, which shall consist of all independent directors. There shall be no fewer than three people in Audit Committee, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.</p> <p><u>The first audit committee shall be established on the date when the independent directors elected in accordance with the preceding article are first elected. From the establishment date, the audit committee or members of the audit committee shall be responsible for those responsibilities of Supervisors prescribed in the Company Act, the Securities and Exchange Act and other laws and regulations.</u></p> <p>The resolution of the audit committee shall be conducted in accordance with relevant laws and regulations.</p> |
| Article 27   | <p>The Company shall appoint one chief Executive Officer, one Executive Director, Deputy Chief Executive Officer(s), President(s) and Vice Executive President(s) whose appointment, removal and remuneration shall be governed by Article 29 of the Company Act.</p> | <p>The Company shall appoint one chief Executive Officer, Deputy Chief Executive Officer(s), President(s) and Vice Executive President(s) whose appointment, removal and remuneration shall be governed by Article 29 of the Company Act.</p>   |
| Article 30-2 | <p>The Board of Directors shall distribute all or part of the dividends, bonuses , legal reserve and capital reserve in cash after a resolution by a majority in a meeting attended by two-thirds of the Directors. Such resolution shall be sub-</p>                 | <p>(Added to this Article)</p>  |

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|            | mitted 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 October 20, 1991.</p> <p>The 12th amendment was made on June 21, 1992.</p> <p>The 13th amendment was made on February 14, 1993.</p> <p>The 14th amendment was made on June 18, 1994.</p> <p>The 15th amendment was made on April 29, 1995.</p> <p>The 16th amendment was made on June 15, 1996.</p> <p>The 17th amendment was made on May 23, 1998.</p> <p>The 18th amendment was made on June 16, 1999.</p> <p>The 19th amendment was made on May 10, 2000.</p> <p>The 20th amendment was made on April 19, 2001.</p> <p>The 21st amendment was made on April 19, 2001.</p> <p>The 22nd amendment was made on May 14, 2002.</p> | <p>The Articles of Association were established on December 1, 1978.</p> <p>The 1st amendment was made on November 22, 1982.</p> <p>The 2nd amendment was made on October 16, 1984.</p> <p>The 3rd amendment was made on August 8, 1985.</p> <p>The 4th amendment was made on April 25, 1986.</p> <p>The 5th amendment was made on October 17, 1986.</p> <p>The 6th amendment was made on July 8, 1988.</p> <p>The 7th amendment was made on October 5, 1989.</p> <p>The 8th amendment was made on February 10, 1990.</p> <p>The 9th amendment n was made on July 20, 1990.</p> <p>The 10th amendment was made on June 30, 1991.</p> <p>The 11th amendment was made on October 20, 1991.</p> <p>The 12th amendment was made on June 21, 1992.</p> <p>The 13th amendment was made on February 14, 1993.</p> <p>The 14th amendment was made on June 18, 1994.</p> <p>The 15th amendment was made on April 29, 1995.</p> <p>The 16th amendment was made on June 15, 1996.</p> <p>The 17th amendment was made on May 23, 1998.</p> <p>The 18th amendment was made on June 16, 1999.</p> <p>The 19th amendment was made on May 10, 2000.</p> <p>The 20th amendment was made on April 19, 2001.</p> <p>The 21st amendment was made on April 19, 2001.</p> <p>The 22nd amendment was made on May 14, 2002.</p> |

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| <p>The 23rd amendment was made on May 22, 2006.</p> <p>The 24th amendment was made on May 22, 2006.</p> <p>The 25th amendment was made on December 14, 2006.</p> <p>The 26th amendment was made on June 13, 2007.</p> <p>The 27th amendment was made on June 16, 2009.</p> <p>The 28th amendment was made on June 14, 2010.</p> <p>The 29th amendment was made on June 22, 2011.</p> <p>The 30th amendment was made on June 21, 2012.</p> <p>The 31st amendment was made on June 20, 2014.</p> <p>The 32nd amendment was made on June 17, 2015.</p> <p>The 33rd amendment was made on June 27, 2016.</p> <p><u>The 34rd amendment was made on June 25, 2019.</u></p> | <p>The 23rd amendment was made on May 22, 2006.</p> <p>The 24th amendment was made on May 22, 2006.</p> <p>The 25th amendment was made on December 14, 2006.</p> <p>The 26th amendment was made on June 13, 2007.</p> <p>The 27th amendment was made on June 16, 2009.</p> <p>The 28th amendment was made on June 14, 2010.</p> <p>The 29th amendment was made on June 22, 2011.</p> <p>The 30th amendment was made on June 21, 2012.</p> <p>The 31st amendment was made on June 20, 2014.</p> <p>The 32nd amendment was made on June 17, 2015.</p> <p>The 33rd amendment was made on June 27, 2016.</p> |
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**Attachment 4 :****Gallant Precision Machining Co., Ltd****Comparison Table for the "Rules for Election of Directors"  
Before and After Revision**

| Article | After the Version  | Before the Version   | Reasons for Amendment  |
|---------|--|--|--|
| 10      | The ballots should be calculated with the tellers' verification on the accuracy of total numbers of valid and invalid votes. The number of valid/invalid vote casting and the voting rights respectfully shall be filled in a log sheet, and the results of the calculation shall be announced by the chairman or his designated officer at the meeting. | The ballots should be calculated with the tellers' verification on the accuracy of total numbers of valid and invalid votes. The number of valid/invalid vote casting and the voting rights respectfully shall be filled in a log sheet, and the results of the calculation shall be announced by the chairman at the meeting. | Add the representative who read out the results of the election. |
| 13      | The Rules for Election of Directors are formulated on April 29, 1995.<br>The 1st amendment was on May 14, 2002.<br>The 2nd amendment was on June 21, 2013.<br>The 3rd amendment was on June 20, 2014.<br>The 4th amendment will be on June 25, 2019.   | The Rules for Election of Directors are formulated on April 29, 1995.<br>The 1st amendment was on May 14, 2002.<br>The 2nd amendment was on June 21, 2013.<br>The 3rd amendment was on June 20, 2014.  | Add the amendment date   |

**Attachment 5 :**

**Gallant Precision Machining Co., Ltd**

**Comparison Table for the "Procedures for Acquisition and Disposal of Assets"  
Before and After Revision**

| After the Version  | Before the Version   |
|--|--|
| <p>2.3 "Assets" used herein includes:<br/>                     2.3.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.<br/>                     2.3.2 Real estate (including lands, plants and buildings, investment property, and construction enterprise inventory) and equipment.<br/>                     2.3.3 Memberships.<br/>                     2.3.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.<br/>                     2.3.5 Right-to-use assets.<br/>                     2.3.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).<br/>                     2.3.7 Derivatives.<br/>                     2.3.8 Assets that are acquired or disposed through mergers, spin-off, acquisitions, or share transfer.<br/>                     2.3.9 Other major assets.</p> | <p>2.3 "Assets" used herein includes::<br/>                     2.3.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.<br/>                     2.3.2 Real estate (including lands, plants and buildings, investment property, right to use land, construction enterprise inventory) and equipment.<br/>                     2.3.3 Memberships.<br/>                     2.3.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.<br/>                     2.3.5 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).<br/>                     2.3.6 Derivatives.<br/>                     2.3.7 Assets that are acquired or disposed through mergers, spin-off, acquisitions, or share transfer.<br/>                     2.3.8 Other major assets.</p> |
| <p>3.4 The acquisition or disposal of real estate, equipment and right-to-use assets shall be handled in compliance with the procedures.</p>   | <p>3.4 The acquisition or disposal of real estate and equipment shall be handled in compliance with the procedures.</p>  |
| <p>3.7 When the acquisition or disposal of assets are submitted for discussion by the board of directors pursuant to provisions, or these operational procedures are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.<br/>                     Any formulation or amendment of the Procedures shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.</p>   | <p>3.7 The Procedures shall be approved by the Board of Directors, the Supervisors and the Shareholders' Meeting. Any amendment is subject to the same procedures. If Directors present dissenting opinions and have a record or written declaration of such matter, the Company shall submit the directors' dissenting information to each supervisor. <u>If the Company has established independents, when the procedures are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be rec-</u></p>   |

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| <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the board of directors' meeting minutes. The Procedures shall be approved by the Board of Directors and the Shareholders' Meeting. Any amendment is subject to the same procedures. The terms "all audit committee members" in the Procedures and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> | <p><u>orded in the minutes of the board of directors meeting.</u><br/> <u>If the Company has established the Audit Committee, where these operational procedures are formulated or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.</u><br/> If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the board of directors' meeting minutes.<br/> <u>The terms "all audit committee members" in Paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> |
| <p>3.8 Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 3.7, paragraphs 3 and 4.</p>  | <p>3.8 Where an audit committee has been established in accordance with the provisions of the Act, any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 3.7, paragraphs 4 and 5.</p>  |
| <p>4.1 Derivatives:<br/> Financial derivatives referred herein defined as instruments that derive their value from the performance of underlying assets, interest, commodity price, currency exchange rate, price index, credit rating or credit index, or other. Such instruments include forwards, options, futures, leverage contracts, swaps, various combination thereof, hybrid contracts or structured products. Forwards referred herein exclude insurance, performance, post-sale service, long-term leasing and long-term procurement (sales) contracts.</p>  | <p>4.1 Derivatives:<br/> Financial derivatives referred herein defined as instruments that derive their value from the performance of underlying assets, interest, currency exchange rate, index, or other. Such instruments include forwards, options, futures, leverage contracts, swaps, various combination thereof and hybrid contracts. Forwards referred herein exclude insurance, performance, post-sale service, long-term leasing and long-term procurement (sales) contracts.</p>  |
| <p>4.7 Transaction amount reaches 20 percent of the paid-in capital or 10 percent of the total assets of the Company: The term "the transaction amount reaches 20 percent of the paid-in capital of the Company" or "10 percent of the total assets of the Company" as</p>  | <p>4.7 Transaction amount reaches 20 percent of the paid-in capital or 10 percent of the total assets of the Company: The term "the transaction amount reaches 20 percent of the paid-in capital of the Company" or "10 percent of the total assets of the Company" as</p>  |

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| <p>stated in the public announcement and regulatory reporting standards of the Company's subsidiary shall be subject to the paid-in capital or the total assets of the public company. The term "10% of the company's total asset" used herein shall be calculated based on the total asset stated in the most recent standalone financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In case of the Company whose shares have no par value or a par value other than NT\$10, "the 20% of its paid-in capital" criteria under the Procedures shall be replaced by "10% of its equity attributable to shareholders of the parent"; Regarding "paid-in capital of NT\$10 billion" criteria under the Procedures shall be replaced by "NT\$20 billion of equity attributable to shareholders of the parent".</p> | <p>stated in the public announcement and regulatory reporting standards of the Company's subsidiary shall be subject to the paid-in capital or the total assets of the public company. The term "10% of the company's total asset" used herein shall be calculated based on the total asset stated in the most recent standalone financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In case of the Company whose shares have no par value or a par value other than NT\$10, "the 20% of its paid-in capital" criteria under the Procedures shall be replaced by "10% of its equity attributable to shareholders of the parent"</p> |
| <p>4.8 Assets that are acquired or disposed through mergers, spin-off, acquisitions, or share transfer:<br/>Refers to assets acquired or disposed through mergers, spin-off, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter referred to as "share transfer") under Article 156-3 of the Company Act.</p>   | <p>4.8 Assets that are acquired or disposed through mergers, spin-off, acquisitions, or share transfer:<br/>Refers to assets acquired or disposed through mergers, spin-off, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore under Article 156, Paragraph 8 of the Company Act.</p>   |
| <p>4.9 Mainland China investment:<br/>Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>   | <p>4.9 Accounting Research and Development Foundation in Taiwan (hereinafter referred to as the "ARDF").</p>  |
| <p>4.10 Investment professional:<br/><u>Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consult-</u></p>  | <p>4.10 Mainland China investment:<br/>Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>   |

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| <p><u>ing enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p>  |   |
| <p>4.11 <u>Securities exchange:</u><br/> <u>"Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p>  | <p>4.11 Net value:<br/> Refers to the equity attributable to owners of the parent in the balance sheet.</p>   |
| <p>4.12 <u>Over-the-counter venue ("OTC venue", "OTC"):</u><br/> <u>"Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>   |   |
| <p>4.13 Net value:<br/> Refers to the equity attributable to owners of the parent in the balance sheet.</p>  |   |
| <p>4.14 <u>Accounting Research and Development Foundation in Taiwan (hereinafter referred to as the "ARDF").</u></p>   |   |
| <p>5.1.3 Real estate, equipment and the right-to-use asset:</p>  | <p>5.1.3 Real estate or equipment:</p>  |
| <p>5.1.3.3 The approval authorities and responsibilities of acquisition and disposal of various types of fixed assets other than real estate shall be handled in accordance with the approved amount stipulated in the "Operational Procedures for Payment Request for Procurement", "List of Job Authorization" and "Management Method of Real estate, Pant and Equipment".</p>   | <p>5.1.3.3 The approval authorities and responsibilities of acquisition and disposal of various types of fixed assets other than real estate shall be handled in accordance with the approved amount stipulated in the "Operational Procedures for Payment Request for Procurement" and "Management Method of Fixed Assets".</p>  |
| <p>5.1.4.2 if the Company intend to acquire or dispose of real estate or right-to-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-to-use assets from or to a related party and the transaction amount reaches 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets, or NT\$300 million, except for buying or selling domestic government bonds, bonds under repurchase and resale agreements, and subscription or redemption of money market funds issued by securities in-</p> | <p>5.1.4.2 If the Company intend to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets, or NT\$300 million, except for buying or selling government bonds, bonds under repurchase and resale agreements, and subscription or redemption of money market funds issued by securities investment trusts, the Company may not pro-</p> |

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| <p>vestment trusts, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for a resolution:</p> <p>A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>B. The reason for choosing the related party as a transaction counterparty.</p> <p>C. With respect to the acquisition of real estate or right-to-use assets from a related party, information regarding appraisal of the rationality of the preliminary transaction terms in accordance with the Article 5.1.4.3 and 5.1.4.4.</p> <p>D. The date and price at which the related party originally acquired the real estate, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>E. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and rationality of the funds utilization.</p> <p>F. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 5.1.4.1.</p> <p>G. Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with the Paragraph 5.7.2 herein, and "within one year" refers to one year preceding the Date of Event of the current transaction. Items that have been approved by the Audit Committee and the Board of Directors in accordance with the procedures need not be counted toward the transaction amount. With respect to the acquisition or disposal of operation-purpose equipment, right-to-use assets or real estate between the Company, its subsidiaries whose voting shares are one hundred percent (100%) directly or indirectly owned by the Company, the Board may delegate the chairman to decide such matters and have the decisions subsequently submitted to and ratified by the next Board meeting in accordance with the Paragraph 5.1.3.</p> | <p>ceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board and the Supervisors:</p> <p>A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>B. The reason for choosing the related party as a transaction counterparty.</p> <p>C. With respect to the acquisition of real estate thereof from a related party, information regarding appraisal of rationality of the preliminary transaction terms in accordance with the paragraphs 5.1.4.3 and 5.1.4.4.</p> <p>D. The date and price at which the related party originally acquired the real estate, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>E. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and rationality of the funds utilization.</p> <p>F. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 5.1.4.1.</p> <p>G. Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with the Paragraph 5.7.2 herein, and "within one year" refers to the one year preceding the Date of Event of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors in accordance with the provisions of these operational procedures need not be counted toward the transaction amount. With respect to the acquisition or disposal of operation-purpose equipment, right-to-use assets or real estate between the Company and its subsidiaries, the Board may delegate the chairman to decide such matters and have the decisions subsequently submitted to and ratified by the next Board meeting in accordance with the Paragraph 5.1.3.</p> <p><u>If the Company has established independents, when the procedures are submitted for discussion by the board of directors pursuant to the</u></p> |
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|  | <p><u>preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established, the matters for which paragraph 1 requires recognition by the supervisors shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 3.7, paragraphs 4 and 5.</u></p>   |
| <p>5.1.4.3 The Company that acquires real estate or right-to-use assets from a related party shall evaluate the rationality of the transaction costs by the following means:</p> <p>A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>C. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>D. The Company that acquires real estate thereof from a related party and appraises the cost of the real estate or right-to-use as-</p> | <p>5.1.4.3 The Company that acquires real estate from a related party shall evaluate the rationality of the transaction costs by the following means:</p> <p>A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>C. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>D. The Company that acquires real estate or right-to-use assets thereof from a related party and appraises the cost of the real estate thereof in accordance with the paragraphs 1 and 2 shall also engage a CPA to check the</p> |

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| <p>sets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p>  | <p>appraisal and render a specific opinion.</p>   |
| <p>5.1.4.4 Where the Company acquires real estate or right-to-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Paragraph 5.1.4.2, and the Paragraph 5.1.4.3 does not apply:</p> <p>A. The related party acquired the real estate or right-to-use assets thereof through inheritance or as a gift.</p> <p>B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or right-to-use assets thereof to the signing date for the current transaction.</p> <p>C. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.</p> <p><u>D. The real estate right-to-use assets for operation-purpose are acquired by a public company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> | <p>5.1.4.4 Where the Company acquires real estate thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Paragraph 5.1.4.2, and the Paragraph 5.1.4.3 does not apply:</p> <p>A. The related party acquired the real estate thereof through inheritance or as a gift.</p> <p>B. The time frame between the acquisition date of real property and the current transaction signing date is above 5 years.</p> <p>C. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.</p>   |
| <p>5.1.4.5 When the results of the Company's appraisal conducted in accordance with proceeding paragraphs 5.1.4.3A and 5.1.4.3B are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 5.1.4.6. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality have been obtained from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess</p>  | <p>5.1.4.5 When the results of the Company's appraisal conducted in accordance with proceeding paragraphs 5.1.4.3A and 5.1.4.3B are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 5.1.4.6. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality have been obtained from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual</p> |

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| <p>of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p>B. Where the Company acquiring real estate, or obtaining real estate right-to-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; "within one year" refers to one year preceding the Date of Event of the acquisition of the real estate or obtainment of the right-to-use assets thereof.</p> | <p>transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale.</p> <p>c. Leasing transactions by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price discrepancies in floor prices in accordance with standard property leasing practices.</p> <p>B. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; "within one year" refers to one year preceding the Date of Event of the current acquisition of the real estate thereof.</p> |
| <p>5.1.4.6 When the results of the Company's appraisal conducted in accordance with preceding Paragraph 5.1.4.3 and 5.1.4.5 are uniformly lower than the transaction price, the following matter shall be handled.</p> <p>A. A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the</p>   | <p>5.1.4.6 When the results of the Company's appraisal conducted in accordance with preceding Paragraph 5.1.4.3 and 5.1.4.5 are uniformly lower than the transaction price, the following matter shall be handled.</p> <p>A. A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the dif-</p>  |

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| <p>difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>B. The audit committee shall comply with Article 218 of the Company Act.</p> <p>C. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real estate or right-to-use assets thereof from a related party, it shall also comply with the Paragraph 5.1.4.6 if there is other evidence indicating that the acquisition was not an arms length transaction.</p> | <p>ference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>B. Supervisors shall comply with Article 218 of the Company Act. If the Company has established an audit committee, the Article 218 of the Company Act shall apply mutatis mutandis to the independent director members of the audit committee.</p> <p>C. Actions taken pursuant to the paragraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real estate thereof from a related party, it shall also comply with the Paragraph 5.1.4.6 if there is other evidence indicating that the acquisition was not an arms length transaction.</p> |
| <p>5.1.5.2 Where the Company acquires or disposes of memberships, it shall consider the fair market price, determine the terms and prices of the transaction, prepare an analysis report and submit to the chairman. When the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million, excluding transactions with a domestic government agency, opinions in respect of a rational transaction price shall be sought from CPA prior to the Date of Event of the subject acquisition or disposal of assets. The CPA shall comply with the</p>  | <p>5.1.5.2 Where the Company acquires or disposes of memberships, it shall consider the fair market price, determine the terms and prices of the transaction, prepare an analysis report and submit to the chairman. When the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million, excluding transactions with a government agency, opinions in respect of a rational transaction price shall be sought from CPA prior to the Date of Event of the subject acquisition or disposal of assets. The CPA shall comply with the provisions of</p>  |

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| <p>provisions of Statement of Auditing Standards No.20 published by the ARDF. The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Paragraph 5.7.2 herein, and "within one year" refers to one year preceding the Date of Event of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in accordance with the Procedures need not be counted toward the transaction amount.</p>   | <p>Statement of Auditing Standards No.20 published by the ARDF.<br/>The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Paragraph 5.7.2 herein, and "within one year" refers to one year preceding the Date of Event of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in accordance with these operational procedures need not be counted toward the transaction amount.</p>   |
| <p>5.1.6 Acquisition or disposal of intangible assets or its right-to-use assets</p>   | <p>5.1.6 Acquisition or disposal of intangible assets</p>  |
| <p>5.1.6.1 The approval authorities and responsibilities of acquisition or disposal of intangible assets or its right-to-use assets are as follows:<br/>Where the transaction amount reaches 10 percent of the Company's paid-in capital or less than NT\$20 million (inclusive), the transaction shall be submitted for approval in advance by the chairman of the board; where the transaction amount exceeds 10 percent of the Company's paid-in capital or NT\$20 million, the transaction shall be submitted for approval in advance by the board of directors.</p>   | <p>5.1.6.1 The approval authorities and responsibilities of acquisition or disposal of intangible assets are as follows:<br/>Where the transaction amount reaches 10 percent of the Company's paid-in capital or less than NT\$20 million (inclusive), the transaction shall be submitted for approval in advance by the chairman of the board; where the transaction amount exceeds 10 percent of the Company's paid-in capital or NT\$20 million, the transaction shall be submitted for approval in advance by the board of directors.</p>  |
| <p>5.1.6.2 When acquiring or disposing of intangible assets or its right-to-use assets, the Company shall consider the fair market price, determine the terms and prices of the transaction, prepare an analysis report to the chairman. When the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million, excluding transactions with a domestic government agency, opinions in respect of a rational transaction price shall be sought from CPA prior to the Date of Event of the subject acquisition or disposal of assets. The CPA shall comply with the provisions of Statement of Auditing Standards No.20 published by the ARDF. The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Paragraph 5.7.2 herein, and "within one year" refers to one year preceding the Date of Event of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in accord-</p> | <p>5.1.6.2 When acquiring or disposing of intangible assets, the Company shall consider the fair market price, determine the terms and prices of the transaction, prepare an analysis report to the chairman. When the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million, excluding transactions with a government agency, opinions in respect of a rational transaction price shall be sought from CPA prior to the Date of Event of the subject acquisition or disposal of assets. The CPA shall comply with the provisions of Statement of Auditing Standards No.20 published by the ARDF. The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Paragraph 5.7.2 herein, and "within one year" refers to one year preceding the Date of Event of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in accord-</p> |

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| <p>ance with these operational procedures need not be counted toward the transaction amount.</p>   | <p>ance with these operational procedures need not be counted toward the transaction amount.</p>  |
| <p>5.1.8.8 Regular evaluation methods and the handling of irregular circumstances:<br/> A. The board of directors shall faithfully supervise and manage such trading in accordance with the following principles:<br/> a. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.<br/> b. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.<br/> B. Senior management authorized by the board of directors shall manage derivatives trading in accordance with the following principles:<br/> a. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the relevant provisions under the Procedures.<br/> b. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors. An independent director shall be present at the meeting and express an opinion.<br/> C. The Company shall report to latest Board of Directors' Meeting after it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures.</p> | <p>5.1.8.8 Regular evaluation methods and the handling of irregular circumstances:<br/> A. The board of directors shall faithfully supervise and manage such trading in accordance with the following principles:<br/> a. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.<br/> b. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.<br/> B. Senior management authorized by the board of directors shall manage derivatives trading in accordance with the following principles:<br/> a. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets" and the relevant provisions under the Procedures.<br/> b. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors. Where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.<br/> C. The Company shall report to the latest Board of Directors' Meeting after it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures.</p> |
| <p>5.1.8.10 The Company's internal auditors shall periodically investigate the fairness of internal controls on derivatives trading and shall monthly audit the Company's derivatives trading profile and prepare written auditing reports. Should there be any violation found, a written report is needed to notify each independent directors and the Audit Committee.</p>  | <p>5.1.8.10 The Company's internal auditors shall periodically investigate the fairness of internal controls on derivatives trading and shall monthly audit the Company's derivatives trading profile and prepare written auditing reports. Should there be any violation found, a written report is needed to notify each Supervisor.<br/> Where the Company has established an Audit Committee, should there be any violation found under proceeding paragraph, a written report is needed to notify the Audit Committee.</p>   |
| <p>5.1.9.3 The Company participating in a</p>  | <p>5.1.9.3 The Company participating in a</p>   |

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| <p>merger, spin-off, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise or the competent authorities is notified in advance of extraordinary circumstances and grants consent. The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the competent authorities is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company shall prepare a full written record of the following information and retain it for 5 years for reference.</p> <p>A. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>B. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>C. Important documents and minutes: Including merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>The Company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.</p> <p>Where any of the companies participating in a merger, spin-off, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the</p> | <p>merger, spin-off, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise or the competent authorities is notified in advance of extraordinary circumstances and grants consent. The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the competent authorities is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company shall prepare a full written record of the following information and retain it for 5 years for reference.</p> <p>A. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>B. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>C. Important documents and minutes: Including merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>The Company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.</p> <p>Where any of the companies participating in a merger, spin-off, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is re-</p> |
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| latter is required to abide by the provisions of the second paragraph.  | quired to abide by the provisions of the preceding Paragraph 3 and Paragraph 4.  |
| 5.5.1 The scope of investment: including long-term and short-term securities investment, real estate and its right-to-use assets not held for operation purpose.  | 5.5.1 The scope of investment: including long-term and short-term securities investment, real estate (including construction enterprise inventory) and equipment.  |
| 5.6 The total amount of securities invested by the Company and its subsidiaries, the limit of individual investment and the total amount of real estate and its right-to-use assets not held for operation-purpose are set as follows:  | 5.6 The total amount of securities invested by the Company and its subsidiaries, the limit of individual investment and the total amount of real estate not held for operation-purpose are set as follows:   |
| 5.6.1 The total amount of real estate and right-to-use assets not held for operation purpose shall not exceed 50 percentage of the Company's net value.   | 5.6.1 The total amount of real estate not held for operation purpose shall not exceed 50 percentage of the Company's net value.  |
| 5.7.1.1 Acquisition or disposal of real estate or right-to-use assets thereof from or to a related party, or acquisition or disposal of assets other than real estate or right-to-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. | 5.7.1.1 Acquisition or disposal of real estate thereof from or to a related party, or acquisition or disposal of assets other than real estate thereof from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more. Provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. |
| 5.7.1.4 Where equipment or right-to-use assets thereof for operation-purpose are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:<br>A. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.<br>B. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.  | 5.7.1.4 Where equipment assets thereof for operation-purpose are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:<br>A. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.<br>B. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.   |
| 5.7.1.5 Acquisition or disposal by a public company in the construction business of real estate or right-to-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public com-  | 5.7.1.5 Acquisition or disposal by a public company in the construction business of real estate or thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.  |

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| <p>pany has paid-in capital of NT\$10 billion or more, and it is disposing of real estate from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</p>   |   |
| <p>5.7.1.6 Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p>   | <p>5.7.1.6 Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p>  |
| <p>5.7.1.7 Where an asset transaction other than any of those referred to in the preceding six paragraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Buying or Selling domestic government bonds</p> <p>B. Where done by professional investors—securities trading on foreign and domestic securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the domestic primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>C. Buying or Selling bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> | <p>5.7.1.7 Where an asset transaction other than any of those referred to in the preceding six paragraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Buying or Selling government bonds.</p> <p>B. Where done by professional investors—securities trading on foreign and domestic securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>C. Buying or Selling bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> |
| <p>5.7.2.3 The accumulated amount for acquisition and disposal (acquisition and disposal</p>  | <p>5.7.2.3 The accumulated amount for acquisition and disposal (acquisition and disposal</p>  |

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| <p>should be cumulated separately) of real estate or its right-to-use assets under the same development project within one year.</p>   | <p>should be cumulated separately) of real estate under the same development project within one year.</p>   |
| <p>5.9.1 In acquiring or disposing of real estate, equipment, or right-to-use assets where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, excluding trading with a domestic government agency, contracting third parties to construct on land owned or rented by the Company, or acquiring or disposing of equipment or right-to-use assets for operation-purpose, shall obtain an appraisal report prior to the Date of Event from a professional appraiser and shall further comply with the following provisions:</p>  | <p>5.9.1 In acquiring or disposing of real estate and equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, excluding trading with a domestic government agency, contracting third parties to construct on land owned or rented by the Company, or acquiring or disposing of equipment for operation-purpose, shall obtain an appraisal report prior to the Date of Event from a professional appraiser and shall further comply with the following provisions:</p> |
| <p>5.9.1.1 Where due to special circumstances it is necessary to give a limited price, specified price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p>   | <p>5.9.1.1 Where due to special circumstances it is necessary to give a limited price or specified price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure above shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p>  |
| <p>5.9.1.5 Any Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters whom the Company has required appraisal reports and opinions form, shall meet the following requirements:<br/> <u>A. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u><br/> <u>B. May not be a related party or de facto related party of any party to the transaction.</u><br/> <u>C. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional ap-</u></p> | <p>5.9.1.5 Any Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters whom the Company has required appraisal reports and opinions form, shall not be a related party of the Company or the other party of the transaction.</p>  |

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| <p><u>praisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>A. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>B. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>C. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and rationality of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>D. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p> |  |
| <p>6.3 Property, Plant and Equipment Management<br/>Management Method (document No.: PDG01011).</p>   | <p>6.3 Management Method of Fixed Assets<br/>(document No.: PDG01011).</p> |

**Attachment 6 :**

**Gallant Precision Machining Co., Ltd**

**Comparison Table for the "Procedures for Lending Funds to Other Parties"**

**Before and After Revision**

| After the Version   | Before the Version   |
|---|--|
| <p>3.2 When the Procedures are established or amended, it shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be submitted to a shareholders' meeting for approval; If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the audit committee and a shareholders' meeting for discussion.</p>   | <p>3.2 The Procedures shall be approved by the board of directors, and shall be submitted to each supervisor and a shareholders' meeting for approval; If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor and a shareholders' meeting for discussion. Any amendment is subject to the same procedures.</p>   |
| <p>3.3 The Company shall submit these procedures to the board of directors for discussion pursuant to the Article 3.2, and shall take each independent director's opinions into full consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the board of directors' meeting minutes.</p>  | <p>3.3 Where the Company has established the position of independent director, when its endorsements/guarantees for others are submitted to the board of directors for discussion pursuant to the Article 3.2, it shall take into full consideration the opinions of each independent director. Any specific assenting or dissenting opinions and the reasons for dissent from independent directors shall be included in the board of directors' meeting minutes.</p>   |
| <p>3.4 If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" in Article 3.2 and "all directors" in the preceding article shall be counted as the actual number of persons currently holding those positions.</p> | <p>3.4 If the Company has established independents, where these operational procedures are formulated or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.<br/>If approval of more than half of all audit committee members as required in the preceding article is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.<br/>The terms "all audit committee members" in Article 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> |
| <p>4.5 Short-term period: shall mean the period of one year. But where the Company's operating cycle exceeds one year, one operating cycle shall prevail.</p>   | <p>(None)</p>  |

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| 4.6 Financing amount: means the cumulative balance of the public company's short-term financing.  | (None)  |
| (This article is deleted)   | 5.1.3 Where the loans to others are recognized as other receivables in accordance with JM Letter No.167 issued by ARDF on July 9, 2004.   |
| (This article is deleted)   | 5.1.4 Other loans to other approved by the board of directors of the Company.   |
| 5.2.4 The loan between any two foreign companies in which the Company directly or indirectly holds 100 percent of the voting shares, or the loan made by foreign companies to the Company in which the Company directly or indirectly holds 100 percent of the voting shares, the total loans and amount shall not exceed 20% of the Company's net worth.                     | 5.2.4 The loan between any two foreign companies in which the Company directly or indirectly holds 100 percent of the voting shares, the total loans and amount shall not exceed 20% of the net worth of the Company.   |
| 5.3.4 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the articles 5.1 & 5.2 under these procedures, the Company shall adopt rectification plans and submit the rectification plans to the audit committee, and complete the improvement according to the timeframe set out in the plan. | 5.3.4 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the articles 5.1 & 5.2 under these procedures, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, and complete the improvement according to the timeframe set out in the plan.<br>Where the Company has established an audit committee, the relevant improvement plan referred to in the preceding paragraph shall be submitted to the audit committee and the improvement shall be completed according to the schedule. |
| (This article is deleted)   | 5.3.3.5 Where the loans to other is re-recognized as other receivables in accordance with Paragraph 5.1.3, they shall be reported to the next coming board of directors for approval.   |
| 5.3.6 Internal auditors shall audit the Company's lending profile at least every quarter and prepare written auditing reports. Should there be any violation found, a written report is needed to notify each independent directors.  | (None)  |

**Attachment 7 :**

**Gallant Precision Machining Co., Ltd**

**Comparison Table for the "Procedures for Endorsements & Guarantees"**

**Before and After Revision**

| After the Version   | Before the Version   |
|---|--|
| <p>3.2 Where these operational procedures are amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be submitted to a shareholders' meeting for approval; If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the audit committee and a shareholders' meeting for discussion.</p>                                       | <p>3.2 These operational procedures shall be approved by the board of directors, and shall be submitted to each supervisor and a shareholders' meeting for approval; If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor and a shareholders' meeting for discussion. Any amendment is subject to the same procedures.</p>   |
| <p>3.3 The Company shall submit these procedures to the board of directors for discussion pursuant to the Article 3.2, and shall take each independent director's opinions into full consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>  | <p>3.3 Where the Company has established the position of independent director, when its endorsements/guarantees for others are submitted to the board of directors for discussion pursuant to the Article 3.2, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>   |
| <p>3.4 If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" in Article 3.2 and "all directors" in the preceding article shall be counted as the actual number of persons currently holding those positions.</p> | <p>3.4 If the Company has established independents, where these operational procedures are formulated or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.<br/>If approval of more than half of all audit committee members as required in the preceding article is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.<br/>The terms "all audit committee members" in Article 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> |

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| <p>5.2.3 In case the Company needs to exceed the limits set out in Paragraph 5.2.1 under these procedures for Endorsements/Guarantees to accommodate business requirements, the resolution from the Board of Directors should be obtained and over half of all the directors shall jointly endorse the potential loss that may be caused by the excess of limit. The Board of Directors shall also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors shall adopt a plan containing a timetable to withdraw the excess portion. In the discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> | <p>5.2.3 In case the Company needs to exceed the limits set out in Paragraph 5.2.1 under these procedures for Endorsements/Guarantees to accommodate business requirements, the resolution from the Board of Directors should be obtained and over half of all the directors shall jointly endorse the potential loss that may be caused by the excess of limit. The Board of Directors shall also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors shall adopt a plan containing a timetable to withdraw the excess portion. Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director. Any specific assenting or dissenting opinions and the reasons for dissent from independent directors shall be included in the Board of Directors' meeting minutes.</p> |
| <p>5.2.4 If the party for whom the Company makes the endorsement/guarantee later becomes unqualified under Article 2.1, or the endorsement/guarantee amount exceeds the limit under the Procedure due to the change of the calculation basis, the Company shall adopt rectification plans for the endorsement/guarantee amount or the amount in excess and submit the rectification plans to the audit committee, and shall complete the rectification according to the timeframe set out in the plan.</p>   | <p>5.2.4 If the party for whom the Company makes the endorsement/guarantee later becomes unqualified under Article 2.1, or the endorsement/guarantee amount exceeds the limit under the Procedure due to the change of the calculation basis, the Company shall adopt rectification plans for the endorsement/guarantee amount or the amount in excess and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan. Where the Company has established an audit committee, the relevant improvement plan referred to in the preceding paragraph shall be submitted to the audit committee and the improvement shall be completed according to the schedule.</p>  |
| <p><u>5.3.6 Internal auditors shall audit the Company's Endorsements/Guarantees profile at least every quarter and prepare written auditing reports. Should there be any violation found, a written report is needed to notify each independent directors.</u></p>   | <p>(None)</p>  |
| <p>5.5.2.3 The total amount of endorsements/guarantees provided by the Company and its subsidiaries to any individual entity reaches NT\$10 million. The amount, along with the balance of equity-method investment and loans, reaches above thirty percent (30%) of the Company's net value.</p>  | <p>5.5.2.3 The total amount of endorsements/guarantees provided by the Company and its subsidiaries to any individual entity reaches NT\$10 million. The amount, along with the balance of long-term investment and loans, reaches above thirty percent (30%) of the Company's net value.</p>  |

## Appendix 1

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Each shareholder has a voting right per share.

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

of Association of the Company.

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

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

The first amendment was made on May 23, 1998.

The second amendment was made on May 14, 2002.

## Appendix 2

### Gallant Precision Machining Co., Ltd.

#### Articles of Incorporation (Before the Amendments)

##### Chapter 1 General Provisions

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

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

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

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

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

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

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

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

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

## **Chapter 2 Shares**

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

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

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

Article 8: All the shares of the Company shall be registered from. The shares shall be issued with the signatures or seals of three or more directors, and the certification of the competent authority or its authorized registration agency.

The shares issued by the Company are exempt from a printing form and shall be registered with the central depository authorities.

Article 9: The shareholder shall send his/her true name or its name, domicile or residence and seal specimen card to the Company or the stock agent of the Company for record, and thereafter the seal on the seal specimen card shall be used for the collection of dividends and the exercise of shareholder's rights in writing.

Article 10: The stock affairs of the Company, such as shareholders' transfer of shares, share pledge, lifting of share pledge, reporting of share loss, share inheritance, share donation, reporting of seal specimen card loss, change of shareholder or change of address, shall be handled in accordance with the laws and regulations of the government. Taiwan Securities Central Depository Co., Ltd. may request a merger of shares into large-denomination shares.

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

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

### **Chapter 3 Shareholders' Meeting**

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

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

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

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

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

Article 16-1: The resolutions of a shareholders' meeting shall be recorded in the shareholders' meeting minutes to be signed or sealed by the chairperson of the shareholders' meeting, and be distributed to the shareholders within 20 days

after the meeting. The distribution of the meeting minutes may be carried out by way of a public announcement.

#### **Chapter 4 Directors**

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

Article 17-1 The Company shall, in accordance with the provisions of Article 14.2 of the Securities Exchange Law, appoint independent directors among the above-mentioned directors. The number of independent directors' seats shall not be less than three, and shall not be less than one-fifth of the number of directors' seats. Independent directors and non-independent directors shall be elected together, but the seats shall be separately calculated.

Article 17-2: A nomination system is adopted for the election of independent directors of the Company. The shareholders who hold more than one percent of the total shares issued and the Board of Directors may propose a list of candidates for independent directors, and after the Board of Directors review the qualifications of the independent directors in accordance with relevant laws and regulations, the list shall be sent to the shareholders' meeting for an election of independent directors from the list of candidates.

The nomination of candidates for independent directors, the public announcement and other relevant matters shall be handled in accordance with the relevant laws and regulations such as the Company Law and the Securities Exchange Law.

Article 17-3: In accordance with Article 14.4 of the Securities Exchange Law, the Company shall set up an audit committee composed of all independent directors, and the number of committee members shall not be less than three. One of the members shall be the convener, and at least one shall possess accounting or financial expertise. The first term of the audit committee shall start on the date the independent directors are first elected in accordance with the preceding paragraph. Since the date the audit committee is established, the audit committee or its members shall be responsible for the implementation of the Company Law, the Securities Exchange Law and other ordinances. The resolution of the audit committee shall be governed by the relevant laws and regulations.

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

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

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

Article 20: The Chairperson shall represent the Company externally, and internally carry out all matters of the Company in accordance with the laws and regulations, the Articles of Association, and the resolutions of the shareholders' meetings and of the board meetings.

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

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

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

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

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

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

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

### **Chapter 5 Managers**

Article 27: The Company may have a chief executive officer and several deputy chief executive officers, presidents and executive vice presidents, whose appointment, dismissal and remuneration shall be handled in accordance with the provisions of Article 29 of the Company Law.

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

### **Chapter 6 Accounting**

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

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

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

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

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

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

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

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

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

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

### **Chapter 7 Supplementary Provisions**

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

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

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

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

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

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

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

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

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

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

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

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

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

The 11th amendment was made on October 20, 1991.  
The 12th amendment was made on June 21, 1992.  
The 13th amendment n was made on February 14, 1993.  
The 14th amendment was made on June 18, 1994.  
The 15th amendment was made on April 29, 1995.  
The 16th amendment was made on June 15, 1996.  
The 17th amendment was made on May 23, 1998.  
The 18th amendment was made on June 16, 1999.  
The 19th amendment was made on May 10, 2000.  
The 20th amendment was made on April 19, 2001.  
The 21st amendment was made on April 19, 2001.  
The 22nd amendment was made on May 14, 2002.  
The 23rd amendment was made on May 22, 2006.  
The 24th amendment was made on May 22, 2006.  
The 25th amendment was made on December 14, 2006.  
The 26th amendment was made on June 13, 2007.  
The 27th amendment was made on June 16, 2009.  
The 28th amendment was made on June 14, 2010.  
The 29th amendment was made on June 22, 2011.  
The 30th amendment was made on June 21, 2012.  
The 31st amendment was made on June 20, 2014.  
The 32nd amendment was made on June 17, 2015.  
The 33rd amendment was made on June 27, 2016.

## **Appendix 3**

### **Gallant Precision Machining Co., Ltd. Rules and Procedures for Shareholders' Meeting**

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

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

- (6) The contents on the ballot are not filled in accordance with the provisions of Article 6 or are incomplete.
- (7) Two or more candidates elected are filled in on the same ballot.
8. After all votes are casted into the cabinet, the vote monitoring person shall open the cabinet.
9. When there is any doubt about a vote, the vote monitoring person shall first check whether or not the vote shall be invalidated and placed elsewhere. After the counting of votes, the number of invalid votes and the voting rights they represent shall be counted and then invalidated and sealed by the vote monitoring person.
10. After the vote monitoring person confirms the total numbers of valid and invalid votes, he/she shall fill in the number of valid votes and the corresponding voting rights as well as the number of invalid votes and the corresponding voting rights respectively in the recording form, and the Chairperson shall announce the voting results on the spot.
11. Matters not stipulated in the Method shall be handled in accordance with the provisions of the Company Law.
12. The Method is implemented after the adoption of the resolution in the shareholders' meeting, and the same procedure applies to the amendments.
13. The Method was established on April 29, 1995.  
The first amendment was made on May 14, 2002.  
The second amendment was made on June 21, 2012.  
The third amendment was made on June 20, 2014.

## **Appendix 4**

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

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

## Appendix 5

### Gallant Precision Machining Co., Ltd. Shareholding of Directors

Book-close date: April 27, 2019

| Title                | Name   | Current shareholding |                                | Remarks |
|----------------------|--|----------------------|--------------------------------|---------|
|                      |  | Shares               | % of the current shares issued |         |
| Chairman             | Sheng-Fa Yeh                                     | 1,825,817            | 1.11%                          |         |
| Director             | Jason Chen                                       | 184,596              | 0.11%                          |         |
| Director             | Hsu, Hung-Ming                                   | 1,000                | 0.00%                          |         |
| Director             | C Sun MFG. Ltd.<br>Representative: You-Wen Liang | 29,944,827           | 18.13%                         |         |
| Independent Director | Jia-Ching Tung                                   | 0                    | 0.00%                          |         |
| Independent Director | Wei-Ren Hung                                     | 0                    | 0.00%                          |         |
| Independent Director | Cheng Chen                                       | 0                    | 0.00%                          |         |

Note 1: Total number of shares issued as of April 27, 2019 (book-close date): 165,136,144 shares.

Note 2: Total shareholding legally required of all the directors of the Company: 9,908,168 shares; total shareholding as at April 27, 2019: 31,956,240 shares, the total shareholding of all the directors has reached the required level.

# MEMO