

Stock Code : 5443



Gallant Precision Machining Co., Ltd.

Annual Report 2020

Taiwan Stock Exchange Market Observation Post System:

<http://mops.twse.com.tw>

Annual Report website of GPM : <http://www.gpmcorp.com.tw>

Printed on April 20,2021

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I. Letter to Shareholders

Dear Shareholders: :

First of all, we would like to thank you for your continuous and unwavering support to Gallant Precision Machining Co., Ltd. ("GPM" or "the Company"). Hereafter is the financial performance of 2020.

In 2020, GPM standalone revenue reached NT\$2,453,801 thousand, a decrease of 26.42 percent compared with that in 2019. Consolidated revenue reached NT\$3,460,391 thousand, a decrease of 18.31 percent from that in 2019. In terms of profitability, GPM standalone net income was NT\$149,511 thousand, a decrease of 40% compared with a year earlier. Gross profit margin –was a decrease of 5.96 percent from the prior year. EPS was NT\$0.93.

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

Financial analysis data		2020
Debt to asset ratio (%)	(%)	56.16
Long-term Fund to Property, Plant and Equipment (%)	(%)	388.36
Return on total assets	(%)	2.89
Return on Equity Attributable to Shareholders of the Parent (%)	(%)	5.84
Percentage of paid-in capital (%)	Operating profit	4.69
	Pre-tax net profit	12.46
Net profit margin	(%)	4.64
Earnings Per Share	(NT\$)	0.93

2.Products that have been developed by the Company in 2020

R&D accomplishments (Technology)	Product
	Emission Microscopy , EMMI
	AI Defect Inspection System
	Picosecond Imaging Circuit Analysis , PICA II
	Parts/Material AGV
	IC Substrate Grinding MC
	Strip Disc Grinding MC
	Edge Grinding Machine (TV)
	IDMS I
	FPC Micro Prober System
	Fully Auto IPM Motor Rotor Epoxy Molding System
	High speed 6S Inspection Chip Sorter
	Fully Automatic Sorter for JEDEC Tray To Wafer
	Panel Saw Pick & Place with Inspection
	Fiber-Optic Communication Die Bonder
	BOSCH Small Rotor Test Mold
Measure the Electronic Module	

Future Plans

1. Operating Policy in 2021

1.1 Business Activities

- Next Generation Display Industry : Diversify, deepen and expand display industry .
 - Smart Manufacturing Industry :Extend Market Share, GPM brand promotion.
 - Semiconductor Industry: Lean Production ~~Refine~~, Strategic Partners ~~combine~~, focus and continuous innovation.
- A. The foundation of the company is the research and development technology of the existing display equipment. Working closely with world class manufacturers and leading R&D institutions, focus and deeply development of FPD next generation high value-added equipment drive the company to diversify and manage in a sustainable way in order to expand the future in the display industry innovation and progress.
- B. Continuous efforts towards innovation ensure to differentiate existing products (IDMS) and optimize cost strategies to increase product competitiveness and profitability. We also continue to improvement core technologies and expand the market of Micro / Mini-LED Display Industry , and extend the market niche of next generation display industry.
- C. We take profit as the priority and master the current key advanced technology. Based on our electromechanical and software integration technology and QDTCSS, the intelligent production management system is the backbone to build a quality production system in the smart factory, intelligent logistics and intelligent dynamic process equipment. We continue to expand the achievements ~~results~~ of intelligent automation, and pool our resources to provide strategic partners and key industry representative customers with intelligent automation integration solutions to help them achieve their smart manufacturing goals.
- D. We expand smart logistics technology to develop potential customers. IDMS strengthens the promotion of IoT system products to various industries, introduces key industrial equipment, strengthens the promotion of 3D online system products to key industries with imported value, and provides AOI + AI service solutions to enhance the brand image and express our customers.
- E. Through technology introduction/cooperation, we link the needs of our partners and customers to develop high value-added advanced detection technology in the early stage of semiconductor, and improve the detection and flattening of the packaging process in the middle and final stages. Moreover, we focus on the performance of existing IC board products and product lines to expand customer base.
- F. With the professional niche of development process equipment and long-term efforts in display industry technology, we quickly transform into Micro/Mini LED equipment diversified supply, and then increase the competitiveness of next generation products to achieve the goal of sustainable business.
- G. We focus on semiconductor core technology, innovation and connection of international research and development resources. We understand Taiwan semiconductor marker and provide customers with process solutions. Quality is the priority to us. We improve the overall competitiveness and grasp the market trends in order to improve customer competitiveness and differentiation.

- H. We have passed the ISO 9001 (Quality Management System) and ISO 45001 (Occupational Health and Safety Management Systems) certification. We provide more accurate and practical international management process standards for various industrial fields, especially in the semiconductor industry. We have moved to higher standards in the quality management of all work and the overall safety and health management of the factory to protect customer rights. We also standardize employee discipline and execution, and require the overall quality of suppliers.
- I. We use the company's professional manufacturing brand image and popularity, and through effective management, to develop OEM/ODM Business, strive for orders from international famous companies, reduce the impact of industrial cycle, promote customer alliance to other industrial areas and expand revenue sources.
- J. We make good use of the existing after-sales service mechanism, deepen the relationship with customers, help improve the production efficiency of the factory, achieve long-term business opportunities with value-added services, and seek a win-win strategy for customers and companies.
- K. We collaborate with various world-class institutes and strategic partners within different industries, to accelerate the research and development of new products, help customers launch new products timely and enter new markets, and build a long-term stable and profitable system.
- L. We carry out our corporate sustainable developments in three major aspects of the economy, environment, and society that interplay. Adhering to the concept of sustainable operations, the Company facilitates its sustainable corporate operations, establishes long-term partnership with its customers and social groups, fulfills its responsibilities as a corporate citizen, establishes a Corporate Sustainability Committee to be in charge of matters related to CSR and ethical management, continues to deepen our sustainable operations, and fulfills our responsibilities as a corporate citizen. We adopt the people-oriented mindset and grow with our employees to jointly create maximum value for the Company, customers, and shareholders.
- M. To reinforce our internal information security, the Company established the Information Security Committee to promote and implement information security operations and applied for ISO international information security certification to effectively prevent the risk of invasion by external hackers and internal illegal stealing behaviors so as to safeguard the overall interests of the Company and avoid any leakage of employees' R&D results.

1.2. R&D Aspect

Strengthen the development of the Company's core technologies: (1) grinding technology (2) wet process technology (3) AOI technology (4) lamination and peeling (5) Testing technology (6) Measurement technology (7) intelligent automation technology (8) Artificial intelligence technology.

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

Future R&D Plans:

R&D Project (Technology)	Product
	12" Wafer 2D/3D Defect Inspection & Metrology
	AI Defect Inspection and classification System
	Picosecond Imaging Circuit Analysis · PICA III
	Edge Grinding Machine (Mini LED)
	High-precision Fan-out package grinding equipment
	Dual Spindle Strip Grinding
	Micro LED
	IDMS II
	vSLAM
	Over Head AGV
	AGF
	Tape & Reel in / Frame out Sorter
	PKG Micro Prober System
	Fully Automatic Pick & Place PI Attachment
	Fully Automatic Large Size Multi-Die Flux Die Bonder
	Fully Automatic Ultra-High Accuracy Large Die Bonder
	Upgrade to 100X300 S0 IDF Products Smart Element(Sp02 / Sk34 / Sk23)
	Large Panel Rotate Tester
	FPC Tester
8 Chanel Test Module Upgrade	
New IC ASIC for Tester	
Mini LED Die Bonder	
Micro LED Bonder	

2.The Company's forecast on sales volume and its basis for 2021:

unit: set	
Main products	2021 budget
Display Process Equipment	235
Semiconductor Process Equipment	281
Intelligent automation equipment	481
Other equipments	104

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

3.Important production and marketing policies

- 3.1 Integrate cross-strait operation system, talents and resources, strengthen the integration of customer management, sales and efficiency, give full play to the comprehensive effect, and continue to promote the mainland market competitiveness.
- 3.2 Conduct strategic alliance with industry-university-research units and end customers, continuously improve system integration capability and develop new products and technologies in new fields such as display, semiconductor and intelligent automation, to improve marketing efficiency and achieve differentiated niche.

- 3.3 Strengthen product cost control mechanism, together with design improvement, efficiency improvement and supply chain management, increase orders of high-gross margin products, and ensure reasonable profit of products.
- 3.4 Continuously promote the intelligence, modularization and standardization of major products, simplify the manufacturing process, improve product function and reliability, and reduce costs.
- 3.5 To meet the customer demand for fast delivery, effectively control quantity and amount of raw materials and inventory, reduce inventory turnover days and reduce loss on inventory falling price.
- 3.6 Accelerate installation and acceptance efficiency, improve after-sales service quality to ensure customer satisfaction, establish a win-win service system with customers and continuously strengthen accounts receivable and cash flow management.
- 3.7 We introduced energy policies related to green energy and carbon emission reduction. We built a solar farm in our plant to sell the power generated to Taipower and establish the energy-saving and environmental image of the Company, making contributions to the sustainability and renewal of the earth.

Strategies for Future Development

- Adopt innovation transformation, market extension, sustainable development as the guiding principle of development strategy.
- Business Aspect
 - Deepen promotion of development of the display industry, semiconductor industry and intelligent automation industry.
- Product Aspect
 - Deeply develop core technologies (equipment & processes).
 - Extend core technology for cross-industrial product integration application development.
- Internationalization strategy of diverse talents cultivation
- We formed strategic alliances with partners to jointly create added value to our services and manifest the maximum combined effects.

Impact from Competition, Legislation and Overall Business Environment

1. The impact of the external competitive environment

Due to the two major factors of the China-US trade war and COVID-19 (coronavirus) epidemic, the industrial operating environment is changing rapidly, and the market and product application trends are changing in various ways. Facing the slowdown of business and plant expansion in the display industry worldwide, fierce external competition, and the Chinese government's promotion of localization of equipment, the main source of the company's business in the past, has become increasingly competitive and difficult, constantly testing the adaptability of the company's management team. The Company will continue to strengthen its own product technology and introduce advanced foreign technology to improve the quality and level of product functions and get rid of the low-price competition. We will also develop into different industries such as semiconductor, Micro/Mini LED, and smart manufacturing and expand into markets other than China. In

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

2. Regulatory Environment:

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

3. Overall Business Environment:

- (1) At present, the international economy is facing many variables, and it has been affected by COVID 19 epidemic and the trade war between the United States and China in recent years. The formation of Group of Two (G2) is undergoing. The manufacturing industry in China is no longer the only option for the world, which will affect the production location of products' supply chains, material preparation, the delivery operations of supply chains. According to the current forecast of major research institutions, the expected global demand volume for products for the past year is delayed to be supplied in 2021 due to the stagnant economic activities resulting from COVID-19 in 2020. Looking into the year, economic growth indexes and investment activities in economies across the world will record significant growth. This year, the overall economy will gradually recover. The Company will meet the changing situation and create a future with diversified business orders, more flexible manufacturing speed, solid internal production and marketing function, and long-term external cooperation of the supply chain system.
- (2) The semiconductor and display technology industry in Taiwan spent years of effort in its operations. Last year, under the effect of COVID-19 last year and the recent trade war between the US and China, such macroeconomic factors resulted in the stagnant growth in the global economy. However, the technology industry in Taiwan was driven by the wave of the otaku economy. With the effective control on pandemic prevention lead by the government and the new concept adopted by large-scale international suppliers to separate the supply chains, the manufacturing industry in Taiwan recorded a growth against the prevailing trend in the second half of 2020, and Taiwan recorded the most outstanding economic performances around the world. Also, the outbreak changed the work pattern of people; the otaku economy gradually became a norm with the growth in demand for self-driving vehicles, VR operations, telecommuting, and remote education. Such demand affected and driven the developing demand for the smart EV industry, 3C information industry, and semiconductor industry. In recent years, the Company spared no effort in R&D and cooperation with partners for creations. It is expected that we will record gains in the semiconductor industry, display industry, and smart-auto industry. The wave of changes provided momentums for the growth and development of the Company in hi-tech equipment and allowed the Company to play a significant part in the customer equipment supply chain.
- (3) The COVID-19 and the recent trade war between the US-China have accelerated the speed of

partial enterprises in China to move abroad, return to Taiwan, or set up factories in Southeast Asian countries to spread the risk. However, insufficient technicians and surging labor costs in Southeast Asian countries have become an unreversible condition in the region. Due to the demand for the increasing overall quality of local manufacturing plants, replacing human labor with smart-auto systems and equipment is the only solution. With its long-term efforts in the field of equipment manufacturing and the particular advantage of Taiwan in this wave of supply chain readjustment, the Company will attract overseas Taiwanese businesses and international manufacturers to choose us as a cooperative partner.

- (4) In addition, AI, IoT, and Big Data allow a more comprehensive automation application. The Company possesses the technologies of application process solutions for automation equipment across multiple technology industries. In recent years, we had fully cooperated with world-renowned manufacturers in key industries and achieved considerable results in integrating intelligent automation solutions.
- (5) Looking ahead, with the excellent management team, the professional technical ability, and all the colleagues' effort, the Company will achieve its goals and obtain the best operating results

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

A handwritten signature in black ink that reads "Jason Chen". The signature is fluid and cursive, with the first letters of "Jason" and "Chen" being capitalized and prominent.

Jason Chen
Chairman

II. Company Profile

Date of Establishment : December 22, 1978

Milestones

1978	<ul style="list-style-type: none">● GPM was founded with a capital of NT\$2 million. Engaged in the design, manufacture and sales of semiconductor precision molds and components. Sales began under the proprietary brand name of GPM.
1980	<ul style="list-style-type: none">● Became the first manufacturer in the country to complete the production of IC molding.
1982	<ul style="list-style-type: none">● First company in Taiwan to manufacture a semi-automatic dejunk/trim system.● Kingroup Systems was founded, engaging in robot manufacturing and automation equipment. The company was merged into GPM in 2006.
1983	<ul style="list-style-type: none">● Fully automatic dejunk/trim system was adopted by AT&T and BNS, officially launching the company onto the international market.
1989	<ul style="list-style-type: none">● Reinvested in Malaysia's FORMOSA Engineering and withdrew our investment in 1995.
1993	<ul style="list-style-type: none">● First in the country to launch smart IC molding and laser markers.
1995	<ul style="list-style-type: none">● IPO
1996	<ul style="list-style-type: none">● Launched the first semi-automatic IC molding machine
1997	<ul style="list-style-type: none">● Gallant Precision Industries (Suzhou) CO., Ltd.
1998	<ul style="list-style-type: none">● Attained OTC status Launched the first fully automated IC molding machine in Taiwan.● Established Walton Advanced Engineering, Inc. (joint venture with TOSHIBA), officially engaging in IC packaging equipme manufacturing. The company was merged into GPM in 2002.● Received MOEA's "6th New Innovation Accomplishment Awards".
1999	<ul style="list-style-type: none">● Passed ISO-9001 certification.● Walton Advanced Engineering, Inc. was established in Hsinchu Science Park.
2000	<ul style="list-style-type: none">● Received MOEASMEA's "Taiwan SMEs Innovation Award".
2001	<ul style="list-style-type: none">● Passed ISO 2000 certification.● Received MOEA's "9th New Innovation Accomplishment Awards"● Established Apex-i Optoelectronics.
2002	<ul style="list-style-type: none">● Acquired Walton Advanced Engineering, Inc.● Received MOEA's "The 9th Innovation Research Awards".
2003	<ul style="list-style-type: none">● Established the FPD BU, transferring technology from TOSHIBA ROBOT● Established Gallant Micro. Machining (Suzhou) Co., Ltd., involving in the production of precision IC molds and IC packaging equipment.
2004	<ul style="list-style-type: none">● Received 13th "National Award of Outstanding SMEs".● Received science park's "Outstanding Manufacturer and Innovative Product Awards".● Entered Commonwealth Magazine's 2006 Top 1,000 enterprises in the manufacturing industry for the first time, ranking 822nd.● Apex-i Optoelectronics was renamed as Apex-i International Co., Ltd.
2005	<ul style="list-style-type: none">● Ranked 539th in Commonwealth Magazine's 2006 Top 1,000 enterprises in the manufacturing industry.● Received "Excellent Enterprise Innovation Award" from MOEA for industry technology development.● Received Hsinchu Science Park's "Outstanding Manufacturer and Innovative Product Awards".
2006	<ul style="list-style-type: none">● Acquired Kingroup Systems.● Received Hsinchu Science Park's "2006 Outstanding Manufacturer and

	Innovative Product Awards”.
2007	<ul style="list-style-type: none"> ● Headquarters moved to Hsinchu Science Park ● Ranked 330th in Commonwealth Magazine’s 2006 Top 1,000 enterprises in the manufacturing industry. Ranked 12th in the Top 100 for best operating performance. Ranked 25th among the 50 fastest growing companies in the manufacturing industry. ● GMP won first place for equipment localization from MOEA when the flat panel display industry production exceeded the NT\$1 trillion mark. ● Won first place for III-V compound semiconductor research alliance from DOIT, MOEA in 2007. ● Won second place for FPD research alliance from DOIT, MOEA in 2007.
2008	<ul style="list-style-type: none"> ● Plant in CTSP completed. ● Received CTSP’s Innovation Awards.
2009	<ul style="list-style-type: none"> ● Received “Excellent Enterprise Innovation Award” from MOEA for industry technology development. ● Outstanding annual integrated project “Large flat panel display equipment development program”.
2010	<ul style="list-style-type: none"> ● Received CTSP’s Innovation Awards ● Founded Gallant Precision Machining Co., Ltd.
2011	<ul style="list-style-type: none"> ● Divided semiconductor-related operations and long-term investment into Gallant Precision Machining Co., Ltd.
2012	<ul style="list-style-type: none"> ● Registered for MOEAIDB’s technical service energy. In total, four items were registered: 1. AU1 product design; 2. AU2 automated materials transportation; 3. AU3 automated production; 4. AU4 automated system integration and planning technical service. ● Received an outstanding manufacturer award from the Central Taiwan Science Park (CTSP) for “High-Tech Equipment and Advanced Technology Development Project”.
2013	<ul style="list-style-type: none"> ● Received an outstanding manufacturer award from the Central Taiwan Science Park (CTSP) for “High-Tech Equipment and Advanced Technology Development Project”.
2014	<ul style="list-style-type: none"> ● MOEA’s 2nd Taiwan Mittelstand Award and key assisted manufacturer. ● Outstanding manufacturer for CTSP’s 2014 “High-Tech Equipment Prospective Technology Development Project”. ● Rank 823 of 2013 Top 2000 Survey: Manufacturing-CommonWealth Magazine.. ● Awarded healthy workplace certification: Health promotion label.
2015	<ul style="list-style-type: none"> ● Received TDUA “Gold Panel Awards 2015-Display Component Product Technology Award”. ● Signed technology transfer contract with MICRONICS JAPAN CO., LTD. ● Rank 841 of 2014 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2015 TWSE Corporate Governance Evaluation.
2016	<ul style="list-style-type: none"> ● Signed technology cooperation contract with Sumitomo Precision Products CO., LTD. ● Signed technology transfer and cooperative development contract with International Business Machines Corporation. ● Rank 623 of 2015 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation. ● Gold Panel Awards 2016 - Smart Manufacturing and Equipment" – TDUA. ● Innovative Product Awards" - Central Taiwan Science Park Bureau. ● Development of Advanced Technologies for High-Tech Equipment

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- Award -Talent Excellence" - Central Taiwan Science Park Bureau.
 - Development of Advanced Technologies for High-Tech Equipment Award - Industry Technology" - Central Taiwan Science Park Bureau.
 - 2016 Workplace Equality Model Company - Hsinchu Science Park Bureau.
 - 2016 Work-Life Balance Awards - Ministry of Labor.
 - 2016 "Excellent Enterprise, Happy Labors" 2-Star Awards - Taichung City Government.

2017

- Investment to Suzhou Gallant Precision Intelligence Technology Co., Ltd. through Gallant Precision Industries (Suzhou) Co., Ltd.
- Subsidiary Gallant Micro. Machining Co., Ltd. registering on TPEX Emerging Stock Board.
- 1st Industry 4.0 Excellence Awards, Academia-Industry Consortium, Central Taiwan Science Park
- Passed OHSAS18001: 2007&TOSHMS qualification
- 2017 "Excellent Enterprise, Happy Workplace" 2-Star Awards- Taichung City Government
- Taichung Factory received excellent award from "2017 Taichung City Government Workplace Dynamic Innovation Golden Point Award"
- Hsinchu Factory received Top 10 from "2017 Ministry of Health and Welfare Workplace Dynamic Innovation Golden Point Award"
- Rank 619 of 2016 Top 2000 Survey: Manufacturing-CommonWealth Magazine.
- Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation.

2018

- Subsidiary Gallant Micro. Machining Co., Ltd. was listed on TPEX.
- Excellence Award in Taichung City Industrial Park Landscaping Evaluation
- Sports Administration iSports Certificate
- Vitality Award in Health Promotion Administration Workplace Health Award
- Bronze Award in Business Talent Quality-management System (TTQS) by Workforce Development Agency, Ministry of Labor
- Rank 532 of 2017 Top 2000 Survey: Manufacturing-CommonWealth Magazine.
- Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation.

2019

- 6th National Industrial Innovation Award, M.O.E.A..
- Rank 542 of 2018 Top 2000 Survey: Manufacturing-CommonWealth Magazine.
- GPM Ranked Top 11 Little Giants of Commonwealth Magazine 2020 Corporate Citizen Awards.
- 5th Taiwan Mittelstand Award (MOEA)
- TDUA Gold Panel Awards 2019
- One of the superior manufacturers of Projects for Industry Contribution Award, Central Taiwan Science Park.
- One of the superior manufacturers of Projects for Prospective Innovation Award, Central Taiwan Science Park.

2020

- Top 6%~20% of OTC Companies Assessed by The 6th 2019 Listed/OTC Company Governance.
 - 2020 "CSR Excellence in Cooperate Social Responsibility Reward" - The 9th Price of Little Giant Group.
 - Excellent Manufacturer with "Innovative Product Reward" in Hsinchu Science Park of Ministry of Science and Technology in 2020 _ Panel Probe Detection Equipment.
 - Excellent Manufacturer with "Innovative Product Reward" in Central Taiwan Science Park of Ministry of Science and Technology in 2020 _ Strip Grinding Machine.
 - Taiwan Display Union Association "Golden Panel Awards 2020 Display
-

Component Product Technique Reward” Excellent Product Reward - Intelligent Manufacture and Equipment Category _ 10.5 Generation Etching Machine.

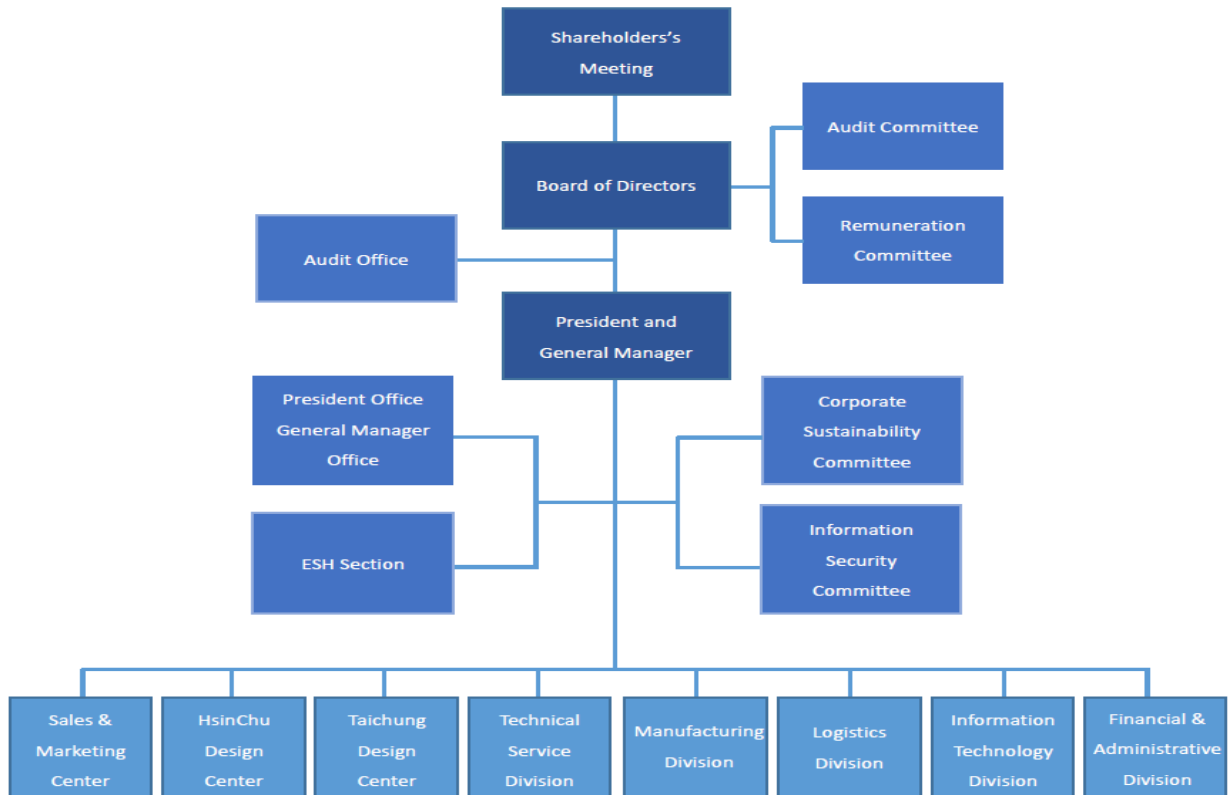
- The 17th “Taiwan Golden Root Reward” of Taiwan Industrial Technology Association
- The 20th “Outstanding Enterprise Golden Peak Reward” of Outstanding Enterprise Manager Association.
- The 20th “Outstanding Innovation R&D Reward” of Outstanding Enterprise Manager Association.
- Super Excellence Reward Evaluated by Excellent Business Unit of “Promote Affirmative Right in Workplace” of Central Taiwan Science Park.
- Authentication of Enterprises Love Sports of Sports Administration
- Promote Environment and Friendly Enterprise - Environmental Protection Convoy Authentication of Hsinchu County Environmental Protection Bureau
- 2020 Occupational Safety and Health Excellent Unit of Central Taiwan Science Park Administration
- 2020 Promoting Occupational Safety and Health Excellent Unit of Hsinchu Science Park Administration
- Four-Star Reward Evaluated by Taichung “Happy Workplace” of Labor Affairs Bureau of Taichung City
- “Excellent Healthy Work Place - Health Management Reward” of Health Promotion Administration, MOHW

Jan. 1 to April
20, 2021

III. Corporate Governance

1. Organization

1.1 Organization Chart



1.2 Major Corporate Functions

Department	Functions
President and General Manager	<ul style="list-style-type: none"> • Execute short-term to long-term development policy and corporate business management • Management comprehensively the Company's operation and management • Plan, monitor and analyze internal risk management • Technology development project application and management
Audit Office	<ul style="list-style-type: none"> • Audit the implementation of management system
ESH Section	<ul style="list-style-type: none"> • Extinguish working environment hazardous factors and lower risk in order to keep employees operational safety • Execute pollution prevention in lowering environmental burden
Sales&Marketing Center	<ul style="list-style-type: none"> • Plan, develop, and manage all the product sales plan • Research on market conditions and assist in new product development evaluation • Explore domestic and international market and maintain existing Customers • Overdue receivables management

Department	Functions
HsinChu Design Center 、 Taichung Design Center	<ul style="list-style-type: none"> • Provide various equipment and design of machining, software development and programming in catering client's specification
Technical Service Division	<ul style="list-style-type: none"> • After-sales service of improvement on equipment that did not meet the specification • Machine relocation/remodeling/execution
Manufacturing Division	<ul style="list-style-type: none"> • Integrating and executing of cross-factory material purchase, outsourcing, purchase examination, logistic and storage and machine assembling • Equipment assembly
Logistics Division	<ul style="list-style-type: none"> • Consolidate and implement cross-factory raw material procurement, outsourcing processing, material inspection, storage and transportation, allocation and other operations.
Information Technology Division	<ul style="list-style-type: none"> • Design computer program, maintain the operation of computer, engage in computerized management
Financial & Administrative Division	<ul style="list-style-type: none"> • Recruitment, training, employee relations, public affairs, plant affairs and general administration related affairs • Manage capital, budget, investment, accounting treatment and cost calculation. • Manage remuneration and HR-related work
Logistics Division	<ul style="list-style-type: none"> • Consolidate and implement cross-factory raw material procurement, outsourcing processing, material inspection, storage and transportation, allocation and other operations.
Remuneration Committee	<ul style="list-style-type: none"> • Establishment and periodic examination of performance evaluation and remuneration policy, standard, system and framework of Directors and Managers of the Company • Periodic assessment and determination of the remuneration of Directors and Managers
Audit Committee	<ul style="list-style-type: none"> • Establishment or revision the assessment of the effectiveness of the internal control system and the internal control system • Establishment or revision of the following handling procedure: major financial and operational behaviors such as acquisition and disposal of assets, trading of derivatives, loaning of funds, and making of endorsements/guarantees. • Matters involved Directors' self interest • Evaluation of material asset or derivatives transactions • Evaluation of material lending funds, endorsements or guarantees • Evaluation of offering, issuance, or private placement of any equity-type securities • Evaluation of hiring or dismissal of an attesting CPA, or the compensation given thereto • Evaluation appointment or discharge of financial, accounting, or internal auditing officers; • Review of financial reports
Corporate Sustainability Committee	<ul style="list-style-type: none"> • Promotion of Corporate Social Responsibility ("CSR"), ethical management, and corporate governance affairs

2.Directors and Management Team

2.1 Information Regarding Board Members

As of April 12, 2021.;Unit:Shares

Title/Name	Nationality or Registry	Date Elected	Gender	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Jason Chen (Note2)	R.O.C.	2020/06/17	Male	3	2017/06/16	851,418	0.52%	888,535	0.54%	0	0%	0	0%	M.Sc.,Department of Mechanical and Electro-Mechanical Engineering. Director of Design Division, Chungghwa Picture Tubes Ltd. Vice President, Gallant Precision Machining Co., Ltd. President, Gallant Precision Machining Co., Ltd.	Chairman and President, Gallant Precision Machining Co., Ltd. Director, C SUN Mfg., Ltd. Director, Shinyu Light Co., LTD Chairman, Gallant Precision Industries (Suzhou) Co., Ltd. Director, Gallant Micro. Machining CO., Ltd. Chairman, Apex-I International Co., Ltd. Chairman, Gallant Precision Machinery (BVI) Ltd. Chairman, SuZhou Gallant Precision Intelligence Technology Co., Ltd
Vice Chairman Frank Liang	R.O.C.	2020/06/17	Male	3	2020/06/17	0	0%	0	0%	0	0%	0	0%	NCCU EMBA 40th Master of Law, School of Law, Northwestern Univ. Certificate in Business Admin., Kellogg School of Management, Northwestern Univ. Univ. of Washington MBA Certificate in Business Administration - Kellogg School of Business, Northwestern University Special assistant to the Chairman, C SUN Mfg., Ltd. Chairman, Suzhou Top Creation Machines Co., Ltd. Chairman, Top Creation Machines Co., Ltd. Director, ViewMove Technologies, Inc.	Chairman, Gallant Micro. Machining CO., Ltd. Special assistant to the Chairman, C SUN Mfg., Ltd. Chairman, Suzhou Top Creation Machines Co., Ltd. Chairman, Top Creation Machines Co., Ltd. Chairman, POWER EVER ENTERPRISES LIMITED. Chairman, Huashun Technology Co. Director, ViewMove Technologies, Inc. Director, Powei Technology Co.

Title/Name	Nationality or Registry	Date Elected	Gender	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Director Hsu, Hung-Ming (Note2)	R.O.C.	2020/06/17	Male	3	2017/06/16	1,000	0.00%	1,000	0.00%	0	0%	0	0%	B.Sc. in Electronic and Computer Engineering, National Taiwan University of Science and Technology President, Gallant Micro Machining Co., Ltd. Vice President, Gallant Micro (Suzhou) Machining Co., Ltd.	President, Gallant Micro Machining CO., Ltd. Director, Gallant Precision Industries (Suzhou) Co., Ltd. Director, Gallant Micro Machining (M) Sdn. Bhd. Director, Gallant Micro (Suzhou) Machining Co., Ltd. Remuneration Committee, C SUN Mfg., Ltd. Chairman, Utron Technologies CORP.
Director C SUN MFG. LTD. Representative: Ronald H. Chen	R.O.C.	2020/06/17	Male	3	2014/06/20	33,268,827	20.15%	39,537,827	23.94%	0	0%	0	0%	M.Sc., School of Law, Soochow University City University of New York Baruch College MBA	Chairman, Ting Ho Development Co., Ltd. Chairman, Ding Ji Development Co., Ltd Chairman, Chuang Sheng Development Co., Ltd Chairman, Long Lai Cior Chang Co., Ltd Director, Taiwan Star Telecom Co., Ltd.
Independent Director Chia-Chin Tong	R.O.C.	2020/06/17	Male	3	2014/06/20	0	0%	0	0%	0	0%	0	0%	Bachelor's degree from Department of Chemistry, National Chung Hsing University. President, Hungsheng Technology Co. Chairman, Taiwan Printed Circuit Association Vice Chairman, Compeq Manufacturing Co., Ltd. Consultant, Taiwan Printed Circuit Association	Independent director, member of Remuneration Committee and member of Audit Committee, Hing Materials Co., Ltd.

Title/Name	Nationality or Registry	Date Elected	Gender	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Lo, Wei	R.O.C.	2020/06/17	Male	3	2020/06/17	0	0%	0	0%	0	0%	0	0%	PhD in Management Science, NCTU Senior Deputy General Manager of Unizyx Senior Deputy General Manager of Zyxel Communications Corp. Senior Deputy General Manager of MitraStar Technology Corp. Director of Zyxel Networks Corporation./Senior Deputy General Manager/Financial Accounting Supervisor	Legal representative of Shanghai Monetics Telecommunications Corporation. Legal representative of MitraStar Technology Corp.- Wuxi
Independent Director Chen, Yi-Mei	R.O.C.	2020/06/17	Female	3	2020/06/17	0	0%	0	0%	0	0%	0	0%	Master of Computer Science, University of Oregon President of American Guifen International Enterprise Co., Ltd. President of Texas Win Win Credit Brokerage Company and Xun An Credit Audit Document Review Company Chief Executive Officer, Credit Union, Austin, Texas, Wells Fargo Distinguished Research Fellow of ITRI	Independent Director of TALIANG Technology

Remarks:

Note 1: If the chairman of the Board of Directors and the general manager or the equivalent person (the top manager) are the same person, spouses or first-degree relatives, the reasons, rationality, necessity and countermeasures (such as increasing the number of independent directors, and more than half of the directors should not serve as employees or managers, etc.) should be explained:

The chairman of the Company is also the general manager, in order to improve the operational efficiency and decision-making execution, but in order to strengthen the independence of the Board of Directors, the Company has actively trained suitable candidates; In addition, the chairman usually communicates closely with all directors about the company's operating conditions and planning guidelines to implement corporate governance. Currently, the Company has had the following details measures:

1. The currently three independent directors are specialized in industrial fields and can effectively play their supervisory functions.
2. Arrange each director to attend the professional director courses of external institutions every year to improve the operational efficiency of the Board of Directors.
3. Independent directors can fully discuss and put forward knowledge in functional committees for the reference of the Board of Directors to implement corporate governance.
4. More than half of the board members are part-time employees or managers.

Note 2: The 15th director re-election was completed at the shareholders' regular meeting on June 17, 2020. Chairman Nick Yeh, William Hung, Bill Chen retired after the Annual General Meeting.

Note 3: C SUN MFG. LTD appointed director Ronald H. Chen as the representative after the full re-election of directors on June 17, 2020.

Major shareholders of institutional shareholders

Names of institutional shareholders	Main shareholders of the institutional shareholders
C SUN Mfg., Ltd.	Chen Liang, Chin-Jung, Haihsing Investment Co. 8.94% Liang, Pi-Ju, Pinchin Investment Co. 7.39% Mao-Chung Liang 5.60% Mao-Sheng Liang 5.28% Morgan Stanley Account in Custody of HSBC (Taiwan) 2.80% Gallant Precision Machining Co., Ltd. 2.25% Chin-Tu Chien 2.05% Emerging market small cap stock fund of Ever Trust Bank 1.84% UBS Europe SE Investment Account in Custody of CITI Bank 1.23% JPMorgan Security Inc. Investment Account in Custody of JPMorgan Chase Bank 1.07%

Note 1: Data is based on March 27, 2021, the book closure date of the Company.

Major Shareholders of Institutional Shareholders

Name of corporate shareholders	Major shareholders of institutional shareholders
Haihsing Investment Co.	Liang, Pi-Chen, Liansheng Co., Ltd. 19.53% Chun-Mei Tsou 16.67% Mao-Sheng Liang 16.67% Liang, Pi-Ju, Pinchin Investment Co. 12.79% Mao-Chung Liang 9.68% Liang, Yeh-Chin-Chih 9.68% Chang Liang, Hsiu-Chieh 5.22% Fu Liang, Hsiu-Hung 5.22% Liang, Yu-Wen 1.35% Chen Liang, Chin-Jung 1.18% Pi-Ju Liang 1.01% Liang, Pi-Yin 1.01%
Pinchin Investment Co.	Pi-Ju Liang 33.33% Liang, Pi-Yin 33.33% Liang, Yu-Wen 33.33%

2.2 Professional qualifications and independence analysis of directors

As of April 20, 2021

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note1)												Number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Jason Chen			✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	-
Frank Liang			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Hsu, Hung-Ming			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Ronald H. Chen	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	-
Chia-chin Tong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lo, Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chen, Yi-Mei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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

- (1). Not an employee of the Company or any of its affiliates.
- (2). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
- (5). Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
- (6). Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.
- (7). Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent).
- (8). Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (9). Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000".
- (10). Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (11). Not been a person of any conditions defined in Article 30 of the Company Law; and
- (12). Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.3 Management Team :

As of April 12, 2021.;U:nit:Shares

Title/Name	Nationality or Registry	Date Elected	Gender	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman & President Jason Chen	R.O.C.	2006/10/01	Male	888,535	0.54%	0	0%	0	0%	M.Sc.,Department of Mechanical and Electro-Mechanical Engineering. Director of Design Division, Chungghwa Picture Tubes Ltd. Vice President, Gallant Precision Machining Co., Ltd. President, Gallant Precision Machining Co., Ltd.	Chairman and President, Gallant Precision Machining Co., Ltd. Director, C SUN Mfg., Ltd. Director, Shinyu Light Co., LTD Chairman, Gallant Precision Industries (Suzhou) Co., Ltd. Director, Gallant Micro. Machining CO., Ltd. Chairman, Apex-I International Co., Ltd. Chairman, Gallant Precision Machinery (BVI) Ltd. Chairman, SuZhou Gallant Precision Intelligence Technology Co., Ltd	None		
Deputy President Mufa Chien	R.O.C.	2013/07/01	Male	164,974	0.10%	11,000	0.01%	0	0%	Master's graduate. Senior engineer, Chungghwa Picture Tubes Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	President, SuZhou Gallant Precision Intelligence Technology Co., Ltd	None		
Deputy President H.M. Lee	R.O.C.	2013/07/01	Male	185,385	0.11%	0	0%	0	0%	Master's graduate. Engineer, Chungghwa Picture Tubes Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	Director, Apex-I International Co., Ltd. Director, Gallant Precision Industries (Suzhou) Co., Ltd. Deputy President, Gallant Precision Intelligence Technology Co.,LTD.	None		
Deputy President Tu-Cheng Wang	R.O.C.	2013/07/01	Male	84,388	0.05%	0	0%	0	0%	Junior college graduate. Manager, Ji Feng Automation. Manager, Kingroup Automation. Associate Vice President, Gallant Precision Machining Co., Ltd.	None	None		
Associate Vice President Roger Lin	R.O.C.	2010/10/01	Male	105,274	0.06%	0	0%	0	0%	Master's graduate. Manager, Walton Advanced Engineering, Inc. Associate Vice President, Gallant Precision Machining Co., Ltd.	None	None		
Associate Vice President Chen- Shun Hsu	R.O.C.	2018/07/01	Male	31,001	0.02%	0	0%	0	0%	Master's graduate. Supervisor, Lingsen Precision Industries ,Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	Associate Vice President , Gallant Precision Industries (Suzhou) CO., Ltd.	None		
Chief Financial Officer Chia-Ju Tseng	R.O.C.	2019/07/31	Female	18,407	0.01%	0	0%	0	0%	Bachelor's degree. Senior Associate, Former Partners of Tiaoho & Co. Administrator, Opto Tech Corporation. Administrator, Etron Technology, Inc. Deputy Manager, Gallant Precision Machining Co., Ltd.	Director, Gallant Precision Industries (Suzhou) Co., Ltd.	None		

3. Remunerations Paid to Directors, President and Vice President

3.1 Remunerations Paid to Directors

Unit: Share / NT\$ thousands

Title/Name	Remunerations Paid to Directors								Total Compensation (A+B+C+D) as a % of 2016 Net Income		Employees' Profit Sharing Bonus								(A+B+C+D+E+F+G) as % of Net Income		Other Compen sations from nonsub sidiary affilia tes
	Salary (A)		Severance Pay and Pensions (B)		Compensatio n to Directors (C)		Allowances (D)				Salary, Bonus, etc. (E)		Severance Pay and Pensions (F)		Employee Compensation (G)						
	From GPM	From All Consoli dated Entities	From GPM	From All Consoli dated Entities	From GPM	From All Consoli dated Entities	From GPM	From All Consolidat ed Entities	From GPM	From All Consolidat ed Entities	From GPM	From All Consolidat ed Entities	From GPM	From All Consolidat ed Entities	From GPM		From All Consolidated Entitie		From GPM	From All Consolidat ed Entitie	
															Cash	Stock	Cash	Stock			
Chairman Nick Yeh																					
Chairman Jason Chen																					
Vice Chairman Frank Liang	0	940	0	0	2,146	2,476	168	288	1.55	2.48	5,246	9,676	16,125	16,233	1,289	0	1,389	0	16.70	20.74	1,269
Director Hsu, Hung-Ming																					
Director C SUN MFG. LTD. Representative: Ronald H. Chen																					
Independent Director Chia-chin Tong																					
Independent Director William Hung																					
Independent Director Bill Chen	1,260	1,452	0	0	1,606	1,771	120	204	2.00	2.29	0	0	0	0	0	0	0	0	2.00	2.29	373
Independent Director Lo, Wei																					
Independent Director Chen, Yi-Mei																					
<p>1. Please specify the policies, programs, standards, and structure of the remuneration payment of the independent directors, and relate the amount of remuneration to the responsibilities, risks, time invested, and other factors:</p> <p>(1) The Company's policies, programs, standards, and structure of the performance evaluation and remuneration payment of the directors and managers are formulated and reviewed regularly by the Remuneration Committee. It will be submitted to the Board of Directors for discussion.</p> <p>(2) The remuneration to directors and independent directors is paid in accordance with the Company's Articles of Association and regulations. It positively correlates with the operating performance and is adjusted properly according to the potential risks.</p> <p>2. Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2020: None.</p>																					

Remunerations Paid to Directors

Range of Remuneration	Name of Directors			
	Compensation Paid to Directors (A+B+C+D)		Total Compensation Paid to Directors (A+B+C+D+E+F+G)	
	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities
NT\$0 ~ NT\$1,000,000	Nick Yeh/ Jason Chen / Hsu, Hung-Ming/ C SUN MFG. LTD/ Frank Liang/ Ronald H. Chen/ Chia-chin Tong/ William Hung/ Bill Chen/ Lo, Wei/ Chen, Yi-Mei	Nick Yeh/ Jason Chen / C SUN MFG. LTD/ Ronald H. Chen/ Chia-chin Tong/ William Hung/ Bill Chen/ Lo, Wei/ Chen, Yi-Mei	Hsu, Hung-Ming/ C SUN MFG. LTD/ Frank Liang/Ronald H. Chen/ Chia-chin Tong/ William Hung/ Bill Chen/ Lo, Wei/ Chen, Yi-Mei	C SUN MFG. LTD/ Ronald H. Chen/ Chia-chin Tong/ William Hung/ Bill Chen/ Lo, Wei/ Chen, Yi-Mei
NT\$1,000,001 ~ NT\$2,000,000		Hsu, Hung-Ming/ Frank Liang		
NT\$2,000,001 ~ NT\$3,500,000				Frank Liang
NT\$3,500,001 ~ NT\$5,000,000				Hsu, Hung-Ming
NT\$5,000,001 ~ NT\$10,000,000			Jason Chen	Jason Chen
NT\$10,000,001 ~ NT\$15,000,000				
NT\$15,000,001 ~ NT\$30,000,000			Nick Yeh	Nick Yeh
NT\$30,000,001 ~ NT\$50,000,000				
NT\$50,000,001 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	11(Contains 1 legal entities)	11(Contains 1 legal entities)	11(Contains 1 legal entities)	11(Contains 1 legal entities)

3.2 Remuneration of the President and Vice President

Unit: Share / NT\$ thousands

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Salary, Bonus, etc. (C)		Employees' Profit Sharing Bonus (D)				(A+B+C+D+E+F+G) as % of Net Income		Other Compensations from nonsubsidiary affiliates
		From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM		From All Consolidated Entities		From GPM	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
Chairman	Nick Yeh (note 3)	8,375	8,998	16,748	16,748	3,285	3,285	2,919	0	2,919	0	20.95	21.37	357
President	Jason Chen													
Deputy President	Mufa Chien													
Deputy President	H.M. Lee													
Deputy President	Tu-Cheng Wang													

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

Note2: Pensions funded/paid according to applicable law.

Note3: CEO Nick Yeh retired on April 7, 2020.

Compensation Paid to President & CEO and Vice Presidents

Range of Remuneration	Name of President and Vice President	
	From GPM	From All Consolidated Entities
NT\$0 ~ NT\$1,000,000		
NT\$1,000,001 ~ NT\$2,000,000		
NT\$2,000,001 ~ NT\$3,500,000	Mufa Chen/ H.M. Lee/ Tu-Cheng Wang	Mufa Chen/ H.M. Lee/ Tu-Cheng Wang
NT\$3,500,001 ~ NT\$5,000,000		
NT\$5,000,001 ~ NT\$10,000,000	Jason Chen	Jason Chen
NT\$10,000,001 ~ NT\$15,000,000		
NT\$15,000,001 ~ NT\$30,000,000	Nick Yeh	Nick Yeh
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	5	5

3.4 Employees' Profit Sharing Bonus Paid to Management Team :

Unit: Share / NTS thousands

Title	Name	Stock (Fair Market Value)	Cash Total Employees' Profit Sharing Bonus	Cash Total Employees' Profit Sharing Bonus	Cash Total Employees' Profit Sharing Bonus
Chairman	Nick Yeh (Note 1)	0	3,985	3,985	2.67%
President	Jason Chen				
Deputy President	Mufa Chien				
Deputy President	H.M. Lee				
Deputy President	Tu-cheng Wang				
Associate Vice President	Roger Lin				
Associate Vice President	Chen- Shun Hsu				
Chief Financial Officer	Chia-Ju Tseng				

Note 1: CEO Nick Yeh retired on April 7, 2020.

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

Year	Ratio of total remuneration paid to directors to net income (%)		Ratio of total remuneration paid to presidents and vice presidents to net income (%)	
	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities
2019	3.06%	4.01%	10.84%	11.09%
2020	3.55%	4.77%	20.95%	21.37%

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

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

4. Corporate Governance Report :

4.1 Operation of the Board

4.1.1 Board of Directors' Meeting Status :

The Company's shareholders elected the 15th Board of Directors in Annual General Meeting on June 17, 2020, effective immediately. (From June 17, 2020 to June 16, 2023)

The Board of Directors held 9 sessions in 2020. The attendance of the Directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Nick Yeh	3	0	100%	Retired (Note 1)
Chairman	Jason Chen	9	0	100%	Renewal of office (Note 1)
Vice Chairman	Frank Liang	6	0	100%	New office assumed (Note 1)
Director	Hsu, Hung-Ming	9	0	100%	Renewal of office (Note 1)
Director	C SUN MFG. LTD. Representative: Frank Liang	3	0	100%	Old office assumed (Note 2)
Director	C SUN MFG. LTD. Representative: Ronald H. Chen	6	0	100%	New office assumed (Note 1)
Independent Director	Chia-chin Tong	7	1	78%	Renewal of office (Note 1)
Independent Director	William Hung	3	0	100%	Old office assumed (Note 2)
Independent Director	Bill Chen	3	0	100%	Old office assumed (Note 2)
Independent Director	Lo, Wei	6	0	100%	New office assumed (Note 1)
Independent Director	Chen, Yi-Mei	6	0	100%	New office assumed (Note 1)

Note 1: The 15th director re-election was completed at the shareholders' regular meeting on June 17, 2020. Chairman Nick Yeh retired after the Annual General Meeting, and Director CHEN, CHENG-HSING was elected as the new chairman.

Note 2: Frank Liang, the representative of C SUN MFG. LTD., William Hung and Bill Chen, independent directors, retired on June 17, 2020.

Other Required Notes for the Board Meetings:

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

A. The Company has set up audit committee, therefore, Article 14-3 in Securities and Exchange Act is not applicable. Regarding Article 14-5 in Securities and Exchange Act, please refer to "Audit Committee Meeting Status" on page 27 of this Annual report.

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

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

Date	Name of Director	Agenda	Reason for recusal	Voting results	Resolution
2020.04.07	Nick Yeh	Passed the deliberation on the retirement of CEO Ye Shengfa, a senior manager of the Company, and his retirement pension.	Has conflict of interest with the director and concurrently act as the managerial officer of GPM	Did not vote	Other attending directors agreed accordingly

2020.04.07	Jason Chen	Passed the appointment of the CEO of the Company and the review of his remuneration.	Has conflict of interest with the director and concurrently act as the managerial officer of GPM	Did not vote	Other attending directors agreed accordingly
2020.07.09	Jason Chen	Proposal for employee remuneration paid to directors and senior executives	Has conflict of interest with the director	Did not vote	Other attending directors agreed accordingly
2020.07.09	Jason Chen	Proposal of a raise to officers	Concurrently act as the managerial officer of GPM	Did not vote	Other attending directors agreed accordingly

4.1.2 The TWSE/TPEX listed companies shall disclose the cycle, period, scope, and methods of the self- (or peer-) evaluation of the Board of Directors. The information about the evaluation of the Company is provided in Table

Interval	Period	Evaluation	Method	Content
Once a year	January 2020 - December 2020	Performance Assessment of Board of Directors and Individual Director Members	Internal Self-Assessment of Board of Directors, Self-Assessment of Director Members	Performance Assessment Content of Board of Directors: Participation in the company's operations, improving the decision-making quality of the Board of Directors, composition and structure of the Board of Directors, selection and continuing education of directors, internal control, etc. Performance Assessment Content of Individual Director Members: Mastering the company's objectives and tasks, directors' responsibilities, participation in the company's operations, internal relations management and communication, directors' professional and continuing education, internal control, etc.

- (1) For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, Measures taken to strengthen the functions of the Board (such as setting up Audit Committee, improve information transparency) and the results:
- A. The Company is endeavoring to improve the transparency of information. GPM discloses real-time information MOPS website to maintain shareholder equity.
 - B. The Company set up Remuneration Committee on December 22, 2011. Remuneration Committee is in charge of assisting Board Meeting in reviewing the performance evaluation and remuneration policy, standard, system and framework for board of directors and officers.
 - C. Three of the Seven Directors are Independent Directors. The Independent Directors have expertise in different areas, in accordance with the policy of diversification.
 - D. The Company voluntarily set up Audit Committee. The Audit Committee's primary duty is to supervisor the fair presentation of financial statement, the hiring, dismissal, independence and performance review of the independent auditor, effectiveness of internal control, compliance of law and regulations, and risk control of existing or potential risk factors.
 - E. The Company set up Corporate Sustainability Committee in 2016 August. Corporate Sustainability Committee is in charge of promoting CSR, ethical management and corporate governance affairs and reports to Board of Directors periodically.

Note 1: The Board of Directors convened Ninth meetings in 2020.

Attachment 1 The directors' attendance status for 2020

V: Attendance in Person ◎ : By Proxy

2020	The first meeting	The second meeting	The third meeting	The fourth meeting	The fifth meeting	The sixth meeting	The seventh meeting	The eighth meeting	The Ninth meeting
Chia-chin Tung	V	V	V		◎	V	V	V	V
William Hung	V	V	V						
Bill Chen	V	V	V						
Lo, Wei				V	V	V	V	V	V
Chen, Yi-Mei				V	V	V	V	V	V

4.2 Operation of Audit Committee

4.2.1 Audit Committee Meeting

The Audit Committee held 5 sessions in 2020. The attendance of the Independent Directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	William Hung	5	0	100%	Renewal of office (Note 1)
Independent Director	Chia-chin Tong	2	0	100%	Old office assumed (Note 2)
Independent Director	Bill Chen	2	0	100%	Old office assumed (Note 2)
Independent Director	Lo, Wei	3	0	100%	New office assumed (Note 1)
Independent Director	Chen, Yi-Mei	3	0	100%	New office assumed (Note 1)

Other Required Notes for Audit Committee Meeting

- Any action regulated by Securities and Exchange Act 14-5, or any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead:
 - Any action regulated by Securities and Exchange Act 14-5: Audit Committee's opinion or resolution on material items, please see Attachment 1.
 - There was no other resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2020.
- Any recusal of Independent Directors due to conflicts of interests: None
- Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):
 - The Company convenes Audit Committee regularly and invites external auditors, chief internal auditor and relevant person in charge if necessary.
 - According to annual internal audit plan, the internal auditor officer reports to Audit Committee periodically.
 - The member of Audit Committee make periodic communications regarding quarterly review or audit of financial statements and other discussion required by laws and review the selection

and independence of independent auditor.

(4) For the communication history between audit committee, external auditor, and internal audit supervisor, please visit the Company's website.

Note1: The 15th director re-election was completed at the shareholders' regular meeting on June 17, 2020. Mr. Lo, Wei and Ms. Chen, Yi-Mei were elected as independent directors of the Company and became members of the Audit Committee.

Note2: Mr. William Hung and Mr. Bill Chen retired at the Annual General Meeting on June 17, 2020.

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

The date of Audit Committee meeting	Proposals and Follow-up Actions	Any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead
20 th Meeting of the 2 nd Audit Committee	1. Approval of 2019 examination on effectiveness of internal control system and Statement of Internal Control System. 2. Approval of the amendment to the "Rules of Procedure of the Board of Directors". 3. Approval of the amendment to the "Organizational Rules of the Audit Committee". 4. Approval of the distribution of directors' remuneration of 2019. 5. Approval of the 2019 Business Report and Financial statements. Resolution: Adopted by all attending members of the Audit Committee. Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	None
21 th Meeting of the 2 nd Audit Committee	1. 2020 Q1 consolidated financial statements. Resolution: None. Action taken by GPM in response to the Audit Committee's resolution: None	None
1 th Meeting of the 3 rd Audit Committee	1. 2020 Q2 consolidated financial statements. 2. Approval of the amendment to the 2020 interim budget of the Company. 3. Approval of the amendment to the Company's "Seal Management Measures". Resolution: Adopted by all attending members of the Audit Committee. Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	None
2 th Meeting of the 3 rd Audit Committee	1. 2020 Q3 consolidated financial statements. 2. Approval of the liquidation case of Gallant Precision Machinery (BVI) Ltd, (XOI company for short). 3. Approval of the amendment to the Company's "Measures for the Administration of Financial Report Process". Resolution: Adopted by all attending members of the Audit Committee. Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	None
3 th Meeting of the 3 rd Audit Committee	1. Approval of 2021 internal audit plan. 2. Approval of 2020 annual budget. 3. Approval of the provided endorsement guarantee for the subsidiary "Apex-I International Co., Ltd." 4. Approval of the provided endorsement guarantee for the subsidiary "Gallant Precision Industries (Suzhou) CO., Ltd." 5. Approval of the evaluation of current CPAs' independence and competence. Resolution: Adopted by all attending members of the Audit Committee. Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	None

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

Evaluation Item	Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Brief Description	
Does the Company establish and disclose the corporate governance best practice in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	√		http://www.gpmcorp.com.tw/zh-tw/invesinv/index/64 The Company have established the "Corporate Governance Best Practice" on June 17, 2015, and disclosed it on the Company's website: http://www.gpmcorp.com.tw/zh-tw/invesinv/index/64	None
Shareholding Structure and Shareholders' equity		√	The Company has established the "Corporate Governance Best Practice" and a spokesperson system in accordance with the regulations. The affairs are assigned to the stock affair specialists and agencies and the contact person is disclosed on the Company's website.	None
Does the Company retain a list of the main shareholders who possess the controlling power, and the persons who have the ultimate control over the said shareholders?	√		The company announces the shareholdings of the insiders every month in accordance with the regulations and has the changes in hand to maintain a list of the main shareholders who possess the controlling power, and the persons who have the ultimate control.	None
For the affiliates, does the Company establish and implement a risk control and firewall mechanism?	√		For the affiliates, the Company has established the "Procedures for Related Party Transactions", "Regulations Governing the Management and Operation of Subsidiaries", etc. to set up a risk control and firewall mechanism. The implementation of the above-mentioned regulations is audited by the audit unit once a year in accordance with the audit plan.	None
Does the Company establish an internal regulation to forbid the insider to use undisclosed information on the market in marketable securities exchange?	√		The Company has set up the "Procedures for Processing the Internal Major Information and Preventing Insider Trading" to prohibit the insiders from using unpublished information on the market in marketable securities exchange. It is available on the Company's internal website and website. The promotion course is provided once a year as needed.	None

Evaluation Item		Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”	
		Yes	No		Brief Description
The composition and responsibilities of the Board of Directors	Does the Board of Directors establish and implement the guidelines on the diversity of the members?	√		<p>The Company has established the "Corporate Governance Best Practice" specifying the composition of the Board of Directors shall be diversified. Currently, all members of the Board of Directors have the ability to make operational judgment and decisions, engage in management and supervision, conduct accounting and financial analysis, and have insight into the global market with sufficient industry knowledge. The members differ in the industrial background and expertise, for example, TUNG, CHIA-CHING, an independent director, once served as the chairman of the Taiwan Printed Circuit Association; LO, WEI, an independent director, serves as the chief financial officer of Zyxel Communications Corp and holds a doctoral degree; CHEN, YI-MEI, an independent director, has been specially appointed by Industrial Technology Research Institute. The diversity of the members is not just a principle, but also a reality. Please refer to pages 15 to 17 of the annual report and the company's website: http://www.gpmcorp.com.tw/zh-tw/investor/index/11 for the educational background and experience of the directors.</p>	None
	In addition to the Remuneration Committee and Audit committee established in accordance with the laws, does the Company voluntarily set up other types of functional committees?	√		<p>In addition to setting up the Remuneration Committee in accordance with the laws, the Company also voluntarily establishes an Audit Committee, and both committees are composed of all independent directors. Furthermore, the Company's Enterprise Sustainability Committee consisted of the management personnel reports to the Board of Directors from time to time on the implementation status and results. For the responsibilities of the Enterprise Sustainability Committee, please refer to page 105 of this annual report.</p>	None

Evaluation Item	Implementation Status		Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	
Does the Company formulate the rules and methods for evaluating the performance of the Board of Directors, implement regular evaluation and report the results to the Board of Directors for reference and being used as the basis when evaluating the remuneration and considering the nomination of the individual directors?	√		None
The composition and responsibilities of the Board of Directors Does the Company regularly assess the independence of the certifying accountant?	√		None

Evaluation Item		Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”	
		Yes	No		Brief Description
The composition and responsibilities of the Board of Directors	Does the Company regularly assess the independence of the certifying accountant?	√		<ul style="list-style-type: none"> ➤The accountant or members of the audit service team do not advertise or purchase/sell the stocks or other securities issued by the Company as a broker. ➤ The accountant does not have any disciplinary records of punishment imposed by the CPA Discipline Committee within the past two years. ➤The accountant or members of the audit service team does not serve as the Company's directors, managers, or other officers having significant influence over the audit cases within the past two years. ➤ The accountant or members of the audit service team is not the spouse, direct relative, direct relatives by marriage, second-degree collateral relative or closer of the Company's directors, managers, or other officers having significant influence over the audit cases. ➤The accountant is not currently employed by the principal or audited entity holding a regular position with a fixed salary or serving as the director or supervisor. ➤When auditing, reviewing, re-auditing, or examining the financial statements and preparing an opinion, in addition to substantial independence, does the accountant maintain formal independence? 	None
	Does the TWSE/TPEX listed company deploy qualified and sufficient management personnel and appoint directors to handle governance-related matters (including but not limited to providing directors and supervisors with the necessary information to perform their duties, assisting directors and supervisors complying with laws and regulations, handling matters related to the holding of board and shareholder meetings according to law, and preparing minutes for board and shareholder meetings, etc.)?	√		The Corporate Governance Group of Enterprise Sustainability Committee of the Company, supervised by the head of the financial and accounting unit, is responsible for promoting corporate governance-related matters, handling matters related to the holding of board and shareholder meetings according to law, preparing minutes for board and shareholder meetings, carrying out business registration and modification, arranging workshop and training course for directors, etc.. The Company has established the standard operating procedures for handling the requirements made by directors on May 8, 2019, to assist directors complying with laws and regulations and reply to the queries from directors.	None
	Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set aside a stakeholder area on the Company's website, and properly respond to the issues concerning corporate social responsibility in which the stakeholders may have a stake?	√		The Company has set aside a stakeholder area on the website, and, according to the type of stakeholders (employees, customers, suppliers, investors, government and society, etc.), disclosed and listed the communication channels and the issues concerning the performance of corporate social responsibility.	None

Evaluation Item		Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”	
		Yes	No		Brief Description
Does the Company appoint a professional stock affair agency to handle the matters related to the holding of the shareholders meeting?		√		The Company has appointed a professional stock affair agency - the stock agency department of President Securities Corporation, to handle the matters related to the stocks and holding of the shareholders meeting.	None
Information disclosure	Does the Company set up a website to disclose information about financial business and corporate governance?	√		The company has disclosed information about financial business and corporate governance on the Company's website (http://www.gpmcorp.com.tw/zh-tw/investor/index).	None
	Does the Company adopt other approaches to disclosing information (e.g. setting up an English website, designating a person dedicated to the collection and disclosure of the Company's information, implementing a spokesperson system, publishing the proceedings of investor conferences on the Company's website, etc.)?	√		<p>1. Disclosure of financial information On the website, the Company has set aside a stakeholder area (http://www.gpmcorp.com.tw/zh-tw/investor/index) on which the Company's financial information in Chinese, English, and Japanese is regularly updated for investors' reference.</p> <p>2. Disclosure of business information The web pages of the company profile, product introduction, and core competency provide the public with up-to-date information about the products, operations, and activities in Chinese, English, and Japanese.</p> <p>3. Disclosure of corporate governance The Company has disclosed important internal regulations, such as the organization and operation of internal audits, the Articles of Association, the procedures for acquiring/disposing of assets, the operating procedure for endorsement and fund lending, and the organic rules of the Audit Committee and Remuneration Committee on the website, implemented a spokesperson system, and designated a person responsible for collection and disclosure of the information and the announcement of the disclosure in accordance with the regulations.</p>	None
	Does the Company announce and report the annual financial statements within two months of the end of the fiscal year, and announce and report the first, second, and third-quarter financial statements and the monthly operating results ahead of time and within the specified time limit.	√		The Company reports the annual/quarterly financial statements and operating results within the specified time limit. In January 2020, due to the impact of COVID-19 and with permission from the Financial Supervisory Commission through an official document (No. 1090332128), the Company postponed the announcement of revenue to January 25, 2020, and the announcement of the revenue in January to February 24, 2020.	None

Evaluation Item	Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	
Does the Company provide other important information to facilitate the understanding of the corporate governance (including but not limited to employee rights, employee welfare, investor and supplier relations, stakeholder rights, retraining courses for directors and supervisors, the implementation of risk management and customer policies, and risk measurement standards, the purchase of liability insurance for directors and supervisors, etc.)?	√		None

Evaluation Item	Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”	
	Yes	No		Brief Description
Does the Company provide other important information to facilitate the understanding of the corporate governance (including but not limited to employee rights, employee welfare, investor and supplier relations, stakeholder rights, retraining courses for directors and supervisors, the implementation of risk management and customer policies, and risk measurement standards, the purchase of liability insurance for directors and supervisors, etc.)?	√		<p><u>Stakeholder rights</u> The Company has set up a stakeholder area on the Company's website to provide communication channels and protect the legal rights and interests of both parties, as well as a "Procedures for Contract Review" to ensure the reasonableness of the contract and the rights and interests of the Company.</p> <p><u>Retraining courses for directors</u> The directors of the Company engage in the advanced training in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". The record of continuing education and training can be found on MOPS and in Attachment 1.</p> <p><u>The implementation of risk management policies and risk measurement standards</u> Please refer to page 105 of this annual report.</p>	None
Does the Company provide other important information to facilitate the understanding of the corporate governance (including but not limited to employee rights, employee welfare, investor and supplier relations, stakeholder rights, retraining courses for directors and supervisors, the implementation of risk management and customer policies, and risk measurement standards, the purchase of liability insurance for directors and supervisors, etc.)?	√		<p><u>Implementation of customer policies</u> In addition to always keeping in contact with customers, the Company has set up a professional customer service team and a sound after-sales service system to provide high-quality and comprehensive service and help customers enhance its competitiveness and create higher added value.</p> <p><u>Purchase of liability insurance for directors</u> The Company has purchased the liability insurance for all directors and officers to mitigate the risk of the Company and its shareholders suffering from major damage due to wrongful or negligent acts. The relevant information has been announced on the web page of the Market Observation Post System. The status of insurance has been reported to the Board of Directors on March 16, 2021</p>	none
<p>Based on the results of the most recent corporate governance evaluation conducted by the Corporate Governance Center, Taiwan Stock Exchange Co., Ltd, please describe the improvement has been made and the priority of and the measures for items to be improved.</p> <p>In the seventh governance evaluation, the Company was evaluated as the top 20% of the entries by the Corporate Governance Center, Taiwan Stock Exchange Co., Ltd.</p> <p>The Company sticks to the concept of sustainable operation, and, in order to develop a sustainable business, build a long-term partnership with customers and social communities, and fulfills the corporate citizenship responsibilities, an Enterprise Sustainability Committee is set up in 2016 to take the responsibilities and attain ethical corporate management. The implementation and results would be reported to the Board of Directors every year.</p> <p>For the results of corporate governance evaluation, the intended corrections and measures for items to be improved are described as below:</p> <ul style="list-style-type: none"> ➤ In 2020, the Board of Directors of the Company re-elected a new female independent director. ➤ The Company disclosed the risk management policy, risk management scope and operation situation on its website. ➤ The Company disclosed the information security framework, information security policy and specific management plan in the annual report and the company website. ➤ The Company disclosed the implementation of intellectual property management on company website. 				

Attachment 1: Training Record of Directors and Independent Directors in 2020

Title	Name	Date of Training	Organized by	Name of Course	Training Hours	Total Training Hours in 2020
Chairman	Jason Chen	2020.08.18	Taiwan Corporate Governance Association	Will it be against the trade secret law to join in the association with gun?	3	9
		2020.09.16	Securities and Futures Institute	Advanced Seminar on Directors, Supervisors and Corporate Governance Supervisors-Relevant Standards and Operational Practices of Audit Committee	3	
		2020.09.24	Taipei Exchange	OTC “Corporate Governance 3.0 - Blueprint of Sustainable Development” Advanced Seminar Agenda	3	
Vice Chairman	Frank Lian	2020.10.23	Taiwan Corporate Governance Association	Challenge and Policy of Information Security	3	6
		2020.10.28	Taiwan Institute of Directors	Looking for new kinetic energy for growth in the strategic turning year	3	
Director	Hsu, Hung-Ming	2020.08.07	Taiwan Institute of Directors	Strategic Turning Point of Taiwan Enterprise under Serious Epidemic	3	6
		2020.09.11	Taiwan Corporate Governance Association	Corporate governance individual case discussion, enterprise culture and shareholder activism	3	
Director Representative of the Corporation	Ronald H. Chen	2020.09.11	Taiwan Corporate Governance Association	Corporate governance individual case discussion - enterprise culture and shareholder activism	3	6
		2020.09.22	Taiwan Corporate Governance Association	Capital Market and Corporate Governance	3	
Independent Director	Chia-chin Tong	2020.07.03	Taiwan Corporate Governance Association	Macro-view of sustainable development of global enterprises	3	6
		2020.07.29	Taiwan Institute of Directors	Enterprise transformation in era of changing	3	
Independent Director	Lo, Wei	2020.01.06~01.07	Accounting Research and Development Foundation	Continuing education class for accounting supervisors of issuers, securities firms and stock exchanges	12	15
		2020.08.07	Securities and Futures Institute	Corporate governance and security law	3	
Independent Director	Chen, Yi-Mei	2020.08.26	Taiwan Investor Relations Institute	2020 new norms of corporate governance that directors and supervisors must know	3	6
		2020.09.02	Taiwan Investor Relations Institute	Legal obligations and responsibilities of capital market	3	

4.4 Operation of the Company’s Remuneration Committee

Responsibilities of the Company’s Remuneration Committee:

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

4.4.1 Composition of the Company’s remuneration committee:

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

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

Note :

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

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
10. Not been a person of any conditions defined in Article 30 of the Company Law

4.4.2 Remuneration Committee Meeting Status

The tenure of the Company's 3rd remuneration committee is from June 17, 2020 to June 16, 2021. The convener, Mr. Chia-chin Tong held Fifth sessions in 2020 and the attendance of members is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	Chia-chin Tong	3	0	100%	
Independent Director	William Hung	2	0	67%	
Independent Director	Bill Chen	2	0	67%	
Independent Director	Chen, Yi-Mei	1	0	33%	
Independent Director	Lo, Wei	1	0	33%	

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

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

The date of remuneration committee Meeting	Proposals and Follow-up Actions
The 12 th time of the 3 rd session	1. To submit for deliberation, the amendment to the organizational rules of the remuneration committee of the Company. 2. Employees' remuneration and directors' remuneration of the Company in 2019 are submitted for deliberation.
	Resolution Result: After the chairman consulted all the members present, it was passed without objection.
	The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.
The 13 th time of the 3 rd session	1. The application for pension of CEO Nick Yeg, a senior manager of the Company, is submitted for deliberation. 2. Submit for deliberation the remuneration case of the CEO of the Company
	Resolution Result: Case 1 was passed without objection after the chairman consulted all the members present The chairman consulted all the members present for approval of Case 2, and the remuneration was considered after the company first defined the functions and powers of the CEO and submitted the appointment to the board of directors for approval.
	The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.
The 1 st time of the 4 th session	1. It is proposed to submit for deliberation the amendment of the Company's salary operation management method. 2. It is proposed to submit for deliberation the amendment of the Company's bonus operation method. 3. Submitted for deliberation the formulation of the "Measures for Directors' Remuneration and Remuneration Payment" 4. Submitted for deliberation the formulation of the Measures for Performance Evaluation of the Board of Directors. 5. Submitted to review the distribution of directors' remuneration and managers' remuneration of the Company in 2019 6. Submitted to review the salary adjustment case of managers in 2020.
	Resolution Result: Case 1 to Case 4 were passed without objection after the chairman consulted all the members present

Cases 5 to 6 were passed without objection, except those members and senior managers who did not participate in the discussion and voting according to law.

The company's handling of the opinions of the remuneration committee;

After being submitted to the board of directors for discussion, it was approved by all the directors present.

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

Evaluation Item	Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Brief Description	
Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to the Company's operations according to the materiality principle, and formulate relevant policies or strategies for risk management? (The materiality principle applies to the environmental, social and corporate governance issues may have a significant impact on the investors and other stakeholders.)	√		<p>Gallant Precision Machining Co., Ltd is willing to take the social responsibilities and protect the basic human rights of the staff. We acknowledge and adhere to the "Universal Declaration of Human Rights", "United Nations Global Compact", "United Nations Guiding Principles on Business and Human Rights" and other conventions published by International Labor Organization in order to eradicate all and any violations of human rights and explicitly declare the stand on the fair and equal treatment for the staff. The Company also acts in accordance with applicable laws and regulations on labor and gender equality and has established relevant policies and measures to protect the human rights of the labor.</p> <p>In accordance with the principle of materiality, the Company has established communication channels on the website for shareholders, customers, suppliers, employees, and other stakeholders to give an opinion on major issues.</p> <p>The Company establishes the procedures for risk management in accordance with ISO9001, reinforces the internal management measures based on the results of risk identification, and sticks to the Company's philosophy of sustainable operation.</p>	None
Does the Company formulate policies or establish systems for corporate social responsibilities and review the effectiveness?	√		The Company has established a "Standards for Corporate Social Responsibility", through the operation and under the management of the Enterprise Sustainability Committee, the results of the implementation are reported to and reviewed by the Board of Directors at least once a year.	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
		Yes	No	Brief Description	
Environmental issues	Does the company establish an appropriate environmental management system according to its industrial characteristics?	√		<p>Implement green supply chain management, improve energy efficiency, and reduce the harm to the environment during operation. Wastewater generated from the process is properly treated by wastewater treatment facilities, which meets the discharge water standard.</p> <p>The Company takes "waste reduction and resource recovery" as its goal, and the packaging materials used take resource recovery as the priority treatment method, so as to improve the efficiency of waste management and reduce the environmental impact caused by waste treatment. The rest wastes are incinerated in consideration of their nature, and they are cleared and disposed of or recycled by qualified manufacturers. For manufacturers of general wastes, the compliance of laws and regulations shall be audited when signing contracts or as appropriate.</p>	None
Environmental issues	Does the Company commit to improving the utilization efficiency of various resources and using recyclable materials with low impact on the environment?	√		<p>When designing, the Company chose smaller power transmission components to lighten the machine and high-efficiency power supply components (e.g. converter) to save energy; the cooling water source configuration is adopted for the water circulation system, the designing of shared filters for multiple machines can incorporate one manufacturing process with another and reuse the water resource by repouring the water filtered by the cleaner back to the system, and in turn to save up to 60% of water.</p>	None

Evaluation Item		Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”	
		Yes	No		Brief Description
Environmental issues	Does the company assess the potential risks and possibility of climate change and its impact on the Company now and in the future, and take corresponding measures to address the said issues?	√		<p>In response to the impact of global warming and climate change, Gallant has committed to the environmentally friendly development, green supply chain management, efficient energy use so as to reduce the environmental pollution from the manufacturing process. We also place importance on the greening around the premises.</p> <p>For the manufacturing process, Gallant commits to the effective utilization of chemicals and electricity and water resources; we have built wastewater treatment facilities by which the wastewater from the manufacturing process is properly treated so as to meet the standards of effluent. The effluent is treated by the well-equipped facilities before being discharged. The waste disposal and recycling are delegated to a qualified contractor.</p> <p>To attain sustainable business operation, we will endeavor to fulfill our corporate environmental responsibility, maintain environmental quality, and build a bright future</p>	None
Environmental issues	Does the Company count the greenhouse gas emissions, water consumption, and total weight of waste of the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or waste management?	√		<p>In response to climate change, the Company actively promotes and reforms the measures for greenhouse gas reduction and management, including energy-saving productivity improvement programs, such as lighting management, energy management, and water resources management.</p> <p><u>Carbon reduction</u></p> <p>For energy saving and carbon reduction, the company has committed to replacing the ordinary lamp with energy-saving one to reduce the consumption of petrochemical fuel.</p> <ul style="list-style-type: none"> ● In 2020, the total outsourced electricity was 2,673,260 kWh, the CO2 emissions were 1,360,689 kg. ● Compared with 2019, the electricity consumption increased by 127,360 kWh in 2020 due to the development of new process equipment. ● In 2020, the total investment in the installation of energy-saving lamps was NT \$ 17,000, the electricity consumption thereby decreased by 8,008 kWh and CO2 emissions decreased by 4,076 kg. 	

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
		Yes	No	Brief Description	
Environmental issues	Does the Company count the greenhouse gas emissions, water consumption, and total weight of waste of the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or waste management?	√		<p>Waste management</p> <p>The Company pays much attention to the "garbage reduction and recycling". The waste recycling is a top priority, improved waste management can lead to mitigated environmental impact. Compared with 2019, the amount of waste decreased by 4,500 kg in 2020. The outcome of the measures is disclosed on the Company's website.</p>	None
Social issues	Does the Company formulate relevant management policies and procedures in accordance with applicable regulations and the "International Bill of Human Rights"?	√		The Company acts in accordance with applicable labor laws and regulations and value the internationally recognized basic labor human rights principles to protect employees' legal rights, implement a fair and non-discriminatory employment policy, and formulate appropriate management systems for supervising and managing.	None
Social issues	Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacation, and other benefits), and appropriately reflect the operating performance or results in the employee's remuneration?	√		Pursuant to Article 30 of the Articles of Association of the Company, the Company shall distribute employee remuneration within a range between 1% and 12% of the annual profit, formulate a competitive salary and compensation policy, and give priority to a human resources strategy of retaining talents. The Company conducts the industry salary survey once a year to formulate a reasonable and competitive salary system as well as varies the distributed amount based on the employee's operating performance and actual contribution. The Company also provide the employee incentives, such as innovation research bonus, proposal improvement bonus, outstanding team performance bonus, and outstanding employee bonus to arouse the employees' enthusiasm for work and teamwork and share the fruits of hard work with every member. Furthermore, a reward and punishment system is established to impose the punishment according to the seriousness of the violation. The Company purchases the employees the labor and health insurance, life insurance, accident insurance and disease, cancer, and disability insurance, and provides a retirement pension.	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
		Yes	No	Brief Description	
Social issues	Does the Company create a safe and healthy working environment for employees, and regularly provide safety and health education courses for the staff?	√		<p>The Company has been certified by ISO45001: 2018 revision in December 2020, providing employees with a fair, reasonable, safe, and healthy working environment.</p> <ul style="list-style-type: none"> ● The Company institutes an indoor smoking ban to create a better working environment for employees. We also provide high-quality software and hardware for which the Company is recognized and praised by the competent authority in 2020: <ul style="list-style-type: none"> ➤ Won Four-Star Reward Evaluated by Taichung “Happy Workplace” of Labor Affairs Bureau of Taichung City (Taichung Factory) ➤ Won “Occupational Safety and Health Excellent Unit” Reward of Central Taiwan Science Park Administration of Ministry of Science and Technology (Both Hsinchu factory and Taichung factory won this reward) ➤ Won “Excellent Healthy Work Place - Health Management Reward” of Health Promotion Administration, MOHW (Hsinchu Factory) ➤ Won “Promote Environment and Friendly Enterprise - Environmental Protection Convoy Authentication” of Hsinchu County Environmental Protection Bureau ➤ Won the Honor of “Wuhan Corning 1 million and 2 million safe work hours” of Corning/exyte ● The Company has set up the "automatic external defibrillator" (AED) within the premises and provided CPR and AED operation training courses for employees. ● The Company sets up on-the-spot health consultation service for medical staff according to the requirements of laws and regulations, and specially arranges physiotherapists to enter the site every month to help improve the musculoskeletal discomfort of colleagues. ● The Company has formulated the "Measures for Sexual Harassment Prevention and Punishment" to achieve gender equality and human dignity and provide a friendly working environment. 	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
		Yes	No	Brief Description	
Social issues	Does the Company create a safe and healthy working environment for employees, and regularly provide safety and health education courses for the staff?	√		<ul style="list-style-type: none"> ● Each factory regularly provides safety and health on-the-job education and training, conducts thematic emergency response drills (such as emergency evacuation, fire drills, chemical leak response, etc.), holds lectures on health and a series of health promotion activities to jointly create and maintain a healthy and safe working environment. ● For the working environment, the Company carries out the operating environment monitoring every six months to evaluate individual exposure and, based on the results, to improve the working environment. ● The staff is required to have a full physical examination once a year. New employees are required to take the medical examination (frequency and items more than the requirements of law), for workers working in a harsh or <i>unsafe</i> environment, the special items would be included. On the website, the Company discloses relevant information about the implementation. ● Prevention Measures of COVID-19: <ul style="list-style-type: none"> ➤ On January 30, 2020, [GPM Group Epidemic Prevention Command Center] was established. ➤ Implementation of employees' peaceful overseas business trips and related subsidies. ➤ Guests (visitors), contractors and employees shall take comprehensive temperature measurement at the factory. ➤ COVID-19 epidemic prevention drill for handling suspected or confirmed cases & various epidemic prevention propaganda. ➤ Personnel home office test. ➤ Strengthen epidemic prevention space (dressing room, smoking area, elevator space) and keep social distance. ➤ Provide epidemic prevention, warming and health care soup. ➤ GPM Safe Epidemic Prevention Dormitory is provided for colleagues to use during home quarantine. 	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
		Yes	No	Brief Description	
Social issues	Does the Company establish effective career development training programs for employees?	√		The Company has created a good environment for facilitating the career development of employees and established effective career development training programs. For the implementation of the education and training, please refer to page 86 of this annual report	None
Social issues	When providing products and services, does the company pay attention to customers' health, safety, and privacy, conduct the marketing and labeling in accordance with relevant regulations and international standards, and formulate policies and grievance procedures to protect consumers' rights?	√		The Company conducts the marketing and labeling in accordance with relevant regulations and international standards without any deceptive, misleading, fraudulent, or other behavior that may undermine customers' trust or damage customers' rights and interests. For many years, Gallant sticks to our quality policy - "Quality First, Customer Foremost, Keep Improving and Creating Value" to build a professional customer service team and a comprehensive sales and service system. To provide quality services, we have set up a 24 hours hotline - 0800-387-387 and disclosed the dedicated mailboxes of the business center and customer service center on the website, through the said channels, the complaint about the products and services can be appropriately and explicitly addressed. The personal data provided by customers will be handled in accordance with the Company's "Measures for Personal Data Management" and applicable regulations to protect customers' privacy.	None
Social issues	When providing products and services, does the company pay attention to customers' health, safety, and privacy, conduct the marketing and labeling in accordance with relevant regulations and international standards, and formulate policies and grievance procedures to protect consumers' rights?	√		The Company is responsible for our products and services. We pay much attention to marketing ethics and does not engage in any form of unfair business activities. Through the stages of research and development, procurement, production, operation, and service, the transparency and safety of information about products and services are always kept in our mind. In order to prevent consumers' rights from being damaged by the products or services and help customers to enhance competitiveness and increase the added value, the Company has formulated and disclosed the customer right policy, and implement it in the daily operation.	None

Evaluation Item		Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
		Yes	No		Brief Description
Social issues	Does the Company formulate and implement supplier management policies, by which the suppliers are required to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	√	√	None

Evaluation Item	Implementation Status		Brief Description	Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
Does the Company refer to internationally recognized standards for or guidelines on report preparation to prepare corporate social responsibility reports and other reports disclosing the non-financial information of the Company? Is the said report certified or endorsed by a third-party certificate authority?	√		The Company refers to internationally recognized standards for or guidelines on report preparation and attempted to prepare a preliminary version of the corporate social responsibility report, but it is still unfinished. Gallant commits to the transparency of information, therefore what we expect is a formal corporate social responsibility report.	None
<p>If the Company has formulated its own code of corporate social responsibility based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please specify the implementation and its deviations from the official requirements:</p> <p>The Company has established a "Standards for Corporate Social Responsibility", and there is no significant deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". It is available on the Company's website or Market Observation Post System. For the performance of corporate social responsibilities, please refer to this annual report or Company's website.</p>				

Other important information that helps to understand the performance of corporate social responsibility:

(1) Environmental Protection Matters:

1. Water-saving appliances are used for common domestic water equipment in the factory to reduce the waste of water resources, and the power-saving lamps in the factory are replaced one by one to reduce CO2 emission.

- (1) T8 fluorescent lamps are replaced with LED lamps: 154 lamps are replaced, which reduces electricity consumption by 8,008 kW.h and CO2 emission by 4,076 kg throughout the year.
- (2) Continue to implement office greening and green plant coverage rate in each factory area. In 2020, a total of 150 plants were newly planted in the flower gardens around the factory area.

(2) Social Public Welfare:

The Company has always spared no effort in fulfilling its social responsibilities, and handled relevant activities irregularly, encouraging employees to actively participate in public welfare activities. The public welfare activities in 2020 were as follows:

Care to Hsinchu County Rural School

1. Taoshan Elementary School/Huayuan Elementary School/Wu-Fong Junior High School /Jianshiguomin Junior High School Scholarship Sponsorship

If the total score is above the standard score, each elementary school student can receive a subsidy of NT\$ 600, and each junior high school student can receive a subsidy of NT\$ 1,000. In addition, the "Progress Award for the Total Grade of the Term" will be added, and those who have made the greatest progress but failed to achieve the standard score of the term will also receive a subsidy. A total of 333 students benefited in first and second semester, with a total of NT\$ 281 800.

Public Welfare Organizations Cooperation

1. Support and help public welfare organizations, and order Mid-Autumn Festival gift boxes for employees from Miaoli County Private Nursery School, a consortium legal person, in total of NT\$ 158,300.

Rescue Fund-Raising

1. Donating invoice to help the public welfare: Organize the activity of "donating invoice to help the public welfare", and donate all the invoices obtained to the social welfare organizations.
2. Donate several batches of old things from Genesis Social Welfare Foundation irregularly.

Campus, Enterprise Visit

Visit to colleges, universities and companies: due to epidemic prevention, only one session will be held, which will provide a detailed introduction of equipment to help students and enterprises understand the equipment industry, arrange production line supervisors to take students to visit the working environment on the spot, and promote cooperation between industry and university.

Industry-University Cooperation

1. Sponsored the 2020 annual project implementation competition of Chung Yuan Christian University.
2. Donation from Shuren Fund of National Tsing Hua University:

In order to strengthen the recruitment and retention of top talents at home and abroad, we donated the "Shuren Fund", which is designed to raise salaries for new teachers in engineering colleges. At the same time, we also established a link between new teachers and enterprise R&D to resolve the talent crisis in universities.

3. Join the GOLF Learning and Application Integration Alliance:

Share enterprise resources with academic circles, build a cooperation platform that integrates learning with practice and integrates production with learning. Through the cloud learning platform, start internship training, and promote students' integration with industry in advance through online professional courses and offline enterprise internship visits.

4. Promotion of Internship Credit Program:

To promote the cultivation of industry-university cooperation talents, to establish a stable talent channel in the industry, to effectively use the resources of the government's industry-university cooperation talents cultivation plan, to provide internship opportunities for students in school, to use the characteristics and abilities of young people to increase the vitality and creativity of the organization, and to supplement the enterprise manpower in the short term to explore future talents.

In 2020, the Company invested about NT\$ 2.55 million in industry-university cooperation.

While pursuing the sustainable operation of the enterprise, the Company has integrated Corporate Social Responsibility (CSR) into its business strategy, which is deeply rooted in its daily operations, including corporate governance, employee care, shareholders' rights and interests, social care and environmental protection, etc., and included it in its annual goals or important work items.

If the Company's corporate social responsibility report meets specific standards of the relevant verification agency, it should be specified:

Not applicable.

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

Evaluation Item		Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
		Yes	No	Brief Description	
Formulating policies and plans for ethical management	Does the Company formulate an ethical corporate management policy approved by the Board of Directors, and specify the policies and practices of ethical management and the Board of Directors and top executives' commitment to actively implement the policies in the regulations and external documents?	√		The Company established the "Rules for Ethical Corporate Management" and "Code of Conduct" to incorporate the provisions must be followed by the Company and employee on June 17, 2016 and carried out the promotion activities from time to time. For the year 2020, the implementation of the rules and provisions were reported to the Board of Directors on December 22, 2020 and disclosed on the Company's website.	None
	Does the Company establish a risk assessment mechanism for dishonesty, regularly analyze and evaluate the activities with a higher risk of dishonesty within the business scope, and, based on results, formulate a plan to prevent the dishonesty, and at least incorporate the precautionary measures against the items set out in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" in the plan?	√		The "Rules for Ethical Corporate Management" of the Company specifies the precautionary measures for dishonesty, such as providing illegal political contributions, offering or accepting inappropriate gifts, services, and other improper benefits, and infringing business secrets and intellectual property rights. Employees are required to sign a "Non-Disclosure and Digital Data Authorizing Agreement" to prevent business secrets. In addition to the "Rules of Ethical Corporate Management", the Company also formulate the "Procedures for Acquisition or Disposal of Assets", "Procedures for Endorsement and Guarantee", "Procedures for Loan to the Third Party", "Procedures for Related Person Transaction", etc...	None
	Does the company formulate and implement a dishonesty prevention plan, indicate the operating procedures, guidelines, disciplinary measures, and grievance procedures, and regularly review and revise the said plan?	√		The company has formulated a "Regulations for Reporting and Handling Illegal, Unethical or Dishonest Behavior" and regularly reports to the Board of Directors on the implementation every year.. For the year 2020, the implementation of the rules and provisions were reported to the Board of Directors on December 22, 2020 and disclosed on the Company's website.	None

Evaluation Item	Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Brief Description	
Implementing ethical management	Does the company assess the history of the ethical conduct of the counterparty and incorporate the terms of ethical conduct in the contract with the counterparty?	√	<p>The Company sticks to the commitment to fairness and transparency when engaging in business activities. Before entering into a partnership, we will carefully investigate the counterparty to avoid cooperating with a company engaging in dishonest activities.</p> <p>When entering into a commercial contract with the counterparty, the terms and conditions will be reviewed by the legal unit to avoid cooperating with a company engaging in dishonest activities. For the course for employees on ethical management, please refer to page 51 of this annual report.</p> <p>The Company's suppliers are required to sign the "Social Responsibility, Probity and Integrity Commitment". If the supplier violates its commitment of ethical conduct, it will be subject to a penalty for the bribery and improper benefit, and, in this case, the Company has the right to terminate, suspend or cancel the transaction at its sole discretion.</p>	None
	Does the Company set up a unit subordinate to the Board of Directors and dedicated to facilitating and monitoring the implementation of ethical management, and the unit is required to report to the Board of Directors regularly (at least once a year) on the implementation of ethical management policy and dishonesty prevention plan?	√	<p>The Company's Enterprise Sustainability Committee is responsible for the implementation of ethical management, and an audit office subordinate to the Board of Directors is established to detect the internal and external violations.</p> <p>Serious violations will be reported to the Board of Directors in accordance with relevant laws and procedures. The implementation will be reported to the Board of Directors once a year (during the fourth quarter). For the year 2020, the implementation was reported to the Board of Directors on December 22, 2020.</p>	None
	Does the Company formulate and implement policies to prevent conflicts of interest and build accessible communication channels?	√	<p>The internal regulations and employee code of conduct is disclosed on the Company's internal website, and the staff will be notified of any revision. Externally, a stakeholder area is set aside on the website of the Company (URL:http://www.gpmcorp.com.tw/zh-tw/csr/index/19).</p>	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
		Yes	No	Brief Description	
Implementing ethical management	Does the Company establish an effective accounting system and internal control system for the implementation of ethical management, and the internal audit unit formulates relevant audit plans based on the results of the risk assessment of dishonesty, and, according to the plans, carries out the audit of the compliance with the procedures or appoints an accountant to do so?	√		The company has established an internal control system, detailed rules of internal audit, accounting system, and various management regulations, the above-mentioned regulations are implemented and help the Company to attain ethical management. A report produced by the annual internal audit of implementation will be delivered to each independent director before the end of the following month, and the results will be regularly reported to the Audit Committee and the Board of Directors.e	None
	Does the Company regularly carry out internal and external education and training on ethical management?	√		The Company regularly carries out relevant education and training of ethical management. In 2020, the Company carried out relevant internal and external education and training of ethical management for employees (including courses on laws and regulations of ethical management, legal practice, advanced financial management, laws and regulations of insider trading and returning rights, accounting system, and internal control). The total hour of the courses and the number of participants is 356 and 85 respectively, the relevant operating procedures and guidelines have been posted on the Company's internal website.	None
Implementation of the reporting system of the Company	Does the Company establish a specific reporting and reward system and accessible reporting channels, as well as assign appropriate personnel to investigate the alleged perpetrator?	√		The Company has formulated the "Regulations for Handling the Reported Illegal and Unethical or Dishonest Behaviors" established reporting and complaint channels, such as reporting hotline and e-mail address and related disciplinary measures. The channels will be regularly reviewed and revised in order to enable effective and full communication of and quick response to the issues, and promptly assign appropriate personnel to investigate the alleged perpetrator.	None

Evaluation Item	Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Brief Description	
Does the Company establish the standard operating procedures for the investigation of alleged violations, the follow-up measures to be taken after the investigation, and the relevant confidentiality mechanism?	√		The Company has formulated the reporting procedures and provided a "complaint channel for violation of professional ethics" and an address on the Company's website for reporting the violations. The identity of the informer and content of the report will be treated as strictly confidential. The investigation results will be provided through E-mail.	None
Does the Company take measures to protect the informer from improper treatment or reprisal?	√		The Company is responsible for the confidentiality of the informer and has taken measures to informer from improper treatment or reprisal.	None
Enhance information disclosure Does the Company disclose the content of the "Rules of Ethical Corporate Management" and information about the implementation on the website and the web page of the Market Observation Post System?	√		The "Rules of Ethical Corporate Management" of the Company has been uploaded to the web page of the Market Observation Post System and disclosed on the Company's website http://www.gpmcorp.com.tw/zh-tw/investor/index/64	None
<p>If the Company has formulated its code of ethical corporate management based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please specify the implementation and its deviations from the official requirements:</p> <p>The Company acts in compliance with the domestic laws and regulations and requests the employees to comply with relevant internal regulations. The implementation of ethical management is grounded on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".</p>				
<p>Other important information that helps to understand the implementation of ethical management : (such as reviewing and revising the code of ethical management):</p> <ol style="list-style-type: none"> The Company has established the "Procedures for Handling Internal Material Information Preventing Insider Trading" to stipulate that, a natural person designated as the proxy according to Article 27 of the Company Act to exercise the directors and managers' duties and other persons exposed to material information due to his/her identity, occupation or control relationship, shall be loyal and on good faith and trust, and exercise the due care of a good administrator when conducting the business operation as well as sign a non-disclosure agreement. Directors, managers, and employees exposed to the Company's internal material information shall not reveal any information to the third party. The Company's certifying accounting firm is PricewaterhouseCoopers Taiwan. The accountant does not serve as a director of the Company and maintains both professional and independence, which is reviewed by the Audit Committee and the Board of Directors every year and supported by a "Declaration of Independence" presented by the accountant; the accountant is responsible for regularly auditing each major cycles and internal controls, and providing advice on the internal controls and accounting matters. The Company's suppliers are required to sign the "Social Responsibility, Probity and Integrity Commitment" to specify its commitment concerning the working condition, morality and environment, such as anti-discrimination, prohibiting from hiring child labor, sticking to high moral standards, being prudent when handling the personal data of customers, protecting intellectual property rights, stating the metals used in the products or components are not banned by the procedures and standards for conflict minerals and waste management. If any violations, the supplier will be subject to a penalty for the bribery and improper benefit, and, in this case, the Company has the right to terminate, suspend or cancel the transaction at its sole discretion. 				

4.7 More detailed information on corporate governance guidelines and regulations:

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

4.8 Other Important Corporate Governance Information

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

4.9 Internal Control System Execution Status

4.9.1 Statement of Internal Control System

Gallant Precision Machining Co., Ltd.

Statement of Internal Control System

Date: March 16, 2021

Gallant Precision Machining Co., Ltd. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2020, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms.
The company will take immediate corrective actions once any shortcomings are identified.
3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the "Criteria for the Establishment of Internal Control Systems of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.
4. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.
5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on March 16, 2021 with all Directors in session under unanimous consent.

Gallant Precision Machining Co., Ltd.



Jason Chen
Chairman



Jason Chen
President

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

None.

4.10 In the most recent year and up to the date of publication of the annual report, for the penalties imposed on the Company and its internal personnel for violating the laws, the penalties imposed by the Company on its internal personnel for non-compliance with the internal control program, to the extent that the penalty may have a significant impact on the equity of shareholders or the price of securities, the content, the items of major non-compliances and the improvements made for the non-compliance shall be specified.:

None.

4.11. Major Resolutions of Shareholders' Meeting and Board Meetings

Meeting Title	Meeting Date	Important Resolutions and Implementation
Shareholders' Meeting	2020.06.17	<p>Important Resolution:</p> <ol style="list-style-type: none"> 1. Acknowledged the business report and financial statements in 2019. 2. Acknowledged the 2019 Annual Earnings Distribution Proposal. 3. Passed the amendment to the Articles of Association of the Company. 4. Election of the 15th Directors and Independent Directors cases of the Company. 5. Rescission of the non-competition restriction case of the newly appointed directors and their representatives of the Company. <p>Implementation:</p> <ol style="list-style-type: none"> 1. On July 9, 2020, the Board of Directors set August 1, 2020 as the ex-dividend base date, and the cash dividend (NT\$ 1.55655535 per share) distributed from surplus was distributed to shareholders on August 14, 2020, with no difference between the distribution amount and the resolution of Annual General Meeting. 2. The revision of the Articles of Association has been approved for change registration by the letter of Hsinchu SZ No.1090017141 issued by the Hsinchu Science Park Administration, Ministry of Science and Technology on June 19, 2020.

Name of meeting	Date of meeting	Important Resolutions
Board of Directors	2020/03/24	<ol style="list-style-type: none"> 1. Passed the effectiveness assessment and declaration of internal control system in 2019. 2. Passed the amendment to the "Rules of Procedure of the Board of Directors". 3. Passed the amendment to the "Organizational Rules of the Audit Committee". 4. Passed the amendment to the "Articles of Association" of the Company. 5. Passed the amendment to the "Organizational Rules of the Remuneration Committee". 6. Passed the submitted deliberation through the distribution of employees' remuneration and directors' remuneration in 2019. 7. Pass the 2019 annual financial report and business report of the Company. 8. Passed the 2019 Annual Earnings Distribution Proposal. 9. Agree to buy back the shares of the Company for the first time in 2020. 10. Passed the election of the 15th director case of the Company. 11. Passed the nomination of the Board of Directors and review the list case of independent directors. 12. 5. Passed the rescission of the non-competition restriction case of the newly appointed directors and their representatives of the Company. 13. Passed the relevant matters of convening the 2020 Annual General Meeting and accept the relevant contents of shareholders' proposals. 14. Passed the specific implementation of the supporting inheritance and handover system in response to the retirement of the current Chairman and CEO.
Board of Directors	2020/04/07	<ol style="list-style-type: none"> 1. Passed the deliberation on the retirement of CEO Ye Shengfa, a senior manager of the Company, and his retirement pension. 2. Passed the appointment of the CEO of the Company and the review of his remuneration. 3. Passed the Company's method of buying back shares for the first time in 2020 to transfer employees.
Board of Directors	2020/06/17	<ol style="list-style-type: none"> 1. Pass the proposal of recommending the chairman of the Company. 2. Pass the proposal of recommending the vice chairman of the Company.
Board of Directors	2020/06/29	<ol style="list-style-type: none"> 1. Pass the election of the 4th salary and remuneration committee of the Company.

Name of meeting	Date of meeting	Important Resolutions
Board of Directors	2020/07/09	<ol style="list-style-type: none"> 1. Passed the relevant matters of cash dividend benchmark date of the Company in 2020. 2. Passed the formulation of "Measures for Directors' Remuneration and Remuneration Payment" of the Company. 3. Passed the formulation "Measures for Performance Evaluation of the Board of Directors" of the Company. 4. Passed the amendments to the Company's "Administrative Measures on Salary Operation". 5. Passed the amendment to the Company's "Measures for Bonus Operation". 6. Passed the distribution of directors' remuneration and managers' employees' remuneration of the Company in 2019. 7. Passed the salary adjustment case of the Company in 2020.
Board of Directors	2020/08/13	<ol style="list-style-type: none"> 1. Passed the consolidated financial report of the company in the second quarter of 2020 and the communication between accountants and corporate governance units. 2. Passed the amendment to the 2020 interim budget of the Company. 3. Passed the amendment to the Company's "Seal Management Measures".
Board of Directors	2020/11/12	<ol style="list-style-type: none"> 1. Passed the liquidation case of Gallant Precision Machinery (BVI) Ltd, (XOI company for short). 2. Passed the amendment to the Company's "Measures for the Administration of Financial Report Process".
Board of Directors	2020/12/22	<ol style="list-style-type: none"> 1. Passed the Company's 2021 audit plan. 2. Passed the Company's 2021 annual budget. 3. Passed the provided endorsement guarantee for the subsidiary "Apex-I International Co., Ltd.". 4. Passed the provided endorsement guarantee for the subsidiary "Junqiang Machinery (Suzhou) Co., Ltd.". 5. Passed the appraisal of the independence and competency of the current accountant of the Company.
Board of Directors	2021/01.12	<ol style="list-style-type: none"> 1. Pass the 2020 year-end bonus distribution of managers of the Company.
Board of Directors	2021.03.16.	<ol style="list-style-type: none"> 1. Passed the effectiveness assessment and declaration of internal control system of the Company in 2020. 2. Passed the submitted deliberation through the distribution of employees' remuneration and directors' remuneration in 2020. 3. Pass the 2020 annual financial report and business report of the Company. 4. Passed the 2020 Annual Earnings Distribution Proposal. 5. Passed amendment to the Company's "Procedures for Disposal of Assets Obtained or Disposed". 6. Passed the Company's "Procedures for Dealing with Derivative Commodities" case. 7. Passed the amendment to the "Rules of Procedure of the Shareholders' Meeting" of the Company 8. Passed the relevant matters of convening the 2021 Annual General Meeting and accept the relevant contents of shareholders' proposals.

4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors:
None.

4.13 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D during the 2020 Calendar Year and as of the Date of this Annual Report:

Title	Name	Date of Assumption of Office	Resignation or Dismissal Date	Reason
Chairman	Nick Yeh	2002/05/14	2020/06/17	Retirement

5. Information Regarding GPM's Independent Auditors Report

Audit Fees

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					CPA's Audit Period	Remark
			System Design	Company Registration	Human Resource	Others (Note 1)	Subtotal		
Pricewaterhouse Coopers Taiwan	LI TIEN YI TSAI-YEN CHIANG	2,730				270	270	2020.01.01~ 2020.12.31	

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

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

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

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

5.4 Audit fee reduced more than 10% year over year: None.

6. CPA's information

6.1 Former CPAs

Date of Change	January 1, 2020		
Reasons and Explanation of Changes	Due to its internal personal changes, PricewaterhouseCoopers Taiwan updated the audit partners for GPM from LI TIEN YI and Kwok-wah tsang to LI TIEN and TSAI-YEN CHIANG in 2020.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client	CPA	Consignor
	Status	Not available	
	Appointment terminated automatically		
Appointment rejected (discontinued)			
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)	None		
Is there any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	✓	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4-7 of the Standards)	None		

6.2 Successor CPAs

Accounting Firm	PricewaterhouseCoopers Taiwan
Name of CPA	LI TIEN YI · TSAI-YEN CHIANG
Date of Engagement	January 1, 2020
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not available
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	Not available

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

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

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

8. Net Changes in Shareholding

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

Unit: Shares

Title	Name	2020		Jan. 1 to March 31, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Jason Chen	367,117	0	0	0
Director	Hsu, Hung-Ming	0	0	0	0
Director	C SUN MFG. LTD.	7,423,000	0	0	0
	Representative: Ronald H. Chen	0	0	0	0
Independent Director	Chia-chin Tong	0	0	0	0
Deputy President	Mufa Chien	16,044	0	0	0
Deputy President	H.M. Lee	17,016	0	0	0
Deputy President	Tu-cheng Wang	17,333	0	0	0
Associate Vice President	Roger Lin	13,011	0	0	0
Associate Vice President	Chen- Shun Hsu	8,933	0	0	0
Chief Financial Officer	Chia-Ju Tseng	3,821	0	0	0

8.2 Stock Trade with Related Party : None.

8.3 Stock Pledge with Related Party : None.

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

As of April 12, 2021. Unit: Shares / %

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Re- marks
	Shares	%	Shares	%	Shares	%	Name	Relation	
C SUN MFG. LTD.	39,537,827	23.94%	—	—	—	—	None	None	
C SUN MFG. LTD. Representative: Ronald H. Chen	0	0%	0	0%	0	0%	None	None	
Treasury stock account of Gallant Precision Machining Co., Ltd	6,000,000	3.63%	—	—	—	—	None	None	
Micronics Japan Co., LTD Investment Account in Custody of Mega Bank	2,712,000	1.64%	—	—	—	—	None	None	
CTBC Bank Employee Stock Ownership Trust Account of Gallant Precision Machining Co., Ltd	2,199,084	1.33%	—	—	—	—	None	None	
Mega International Commercial Bank	2,175,118	1.32%	—	—	—	—	None	None	
Chiu, Ta-Hsien	1,711,200	1.04%	0	0%	0	0%	None	None	
Morgan Stanley Bank International Limited Account in Custody of HSBC	1,657,000	1.00%	—	—	—	—	None	None	
Hong, Su-Lian	1,512,000	0.92%	0	0%	0	0%	None	None	
Merrill Lynch International Investment Account in Custody of HSBC	1,370,000	0.83%	—	—	—	—	None	None	
JPMorgan Security Inc. Investment Account in Custody of Chase Manhattan Bank	1,252,000	0.76%	—	—	—	—	None	None	

10. Long-Term Investment Ownership

As of March 31, 2021. Unit: Shares / %

Long-Term Investments	Investments by GPM (1)		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managers of GPM (2)		Total Investment (1) + (2)	
	Shares	Portion	Shares	Portion	Shares	Portion
Gallant-Rapid Corporation Limited	13,560,000	100	0	0	13,560,000	100
Gallant Precision Machinery (BVI) Ltd.	20,289,000	100	0	0	20,289,000	100
APEX-I INTERNATIONAL CO., LTD.	6,600,000	100	0	0	6,600,000	100
Gallant Micro. Machining Co., LTD.	16,171,750	58.93	451,000	1.59	16,622,750	60.52

IV. Capital and Shares

1. Capital and Shares

1.1 Capitalization

As of March 31, 2021

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

Capital and Shares

Unit: Share

As of March 31, 2021

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

Shelf Registration: None.

1.2 Composition of Shareholders

Common Share

As of April 12, 2021 (last record date)

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	—	1	142	36,127	43	36,313
Shareholding	—	2,175,118	51,731,892	102,172,224	9,056,910	165,136,144
Holding Percentage (%)	—	1.317%	31.327%	61.871%	5.485%	100%

1.3 Distribution Profile of Share Ownership

1.3.1 Common Share

As of April 12, 2021 (last record date) ; Unit: shares / %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	18,941	1,372,100	0.831
1,000 ~ 5,000	14,066	28,287,724	17.13
5,001 ~ 10,000	1,808	14,745,620	8.929
10,001 ~ 15,000	477	6,182,645	3.744
15,001 ~ 20,000	360	6,712,216	4.065
20,001 ~ 30,000	236	6,140,993	3.719

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
30,001 ~40,000	117	4,271,873	2.587
40,001 ~50,000	75	3,527,599	2.136
50,001 ~ 100,000	121	8,751,366	5.299
100,001 ~ 200,000	62	8,642,155	5.233
200,001 ~ 400,000	22	6,003,581	3.636
400,001 ~ 600,000	12	5,902,508	3.574
600,001 ~ 800,000	4	2,629,000	1.592
800,001 ~ 1,000,000	2	1,840,535	1.115
Over 1,000,001	10	60,126,229	36.41
Total	36,313	165,136,144	100

1.3.2 Preferred Share: None.

1.4 Major Shareholders

Common Share

As of April 12 ,2021 (last record date) : Unit: shares / %

Top 10 Shareholders	Total Shares Owned	Ownership (%)
C SUN MFG. LTD.	39,537,827	23.94%
Treasury stock account of Gallant Precision Machining Co., Ltd	6,000,000	3.63%
Micronics Japan Co., LTD Investment Account in Custody of Mega Bank	2,712,000	1.64%
CTBC Bank Employee Stock Ownership Trust Account of Gallant Precision Machining Co., Ltd	2,199,084	1.33%
Mega International Commercial Bank	2,175,118	1.32%
Chiu, Ta-Hsien	1,711,200	1.04%
Morgan Stanley Bank International Limited Account in Custody of HSBC	1,657,000	1.00%
Hong, Su-Lian	1,512,000	0.92%
Merrill Lynch International Investment Account in Custody of HSBC	1,370,000	0.83%
JPMorgan Security Inc. Investment Account in Custody of Chase Manhattan Bank	1,252,000	0.76%

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

Unit: NT\$ / Thousand shares

Item	2019	2020	Jan. 1 to March 31, 2021
Market Price Per Share (Note1)	Highest Market Price	26.60	44
	Lowest Market Price	18.60	11
	Average Market Price	22.77	32.97
Net Worth Per Share	Before Distribution	14.45	13.43
	After Distribution	—	—

Item		2019	2020	Jan. 1 to March 31, 2021	
Earnings Per Share	Weighted Average Shares (thousand shares)	165,136	165,136	165,136	
	Diluted Earnings Per Share	Not-Adjusted	1.51	0.93	—
		Adjusted	—	—	—
Dividends Per Share	Cash Dividends	1.55655535	(Note 5)	—	
	Stock	—	—	—	
	Dividend	—	—	—	
	Accumulated Undistributed Dividend	—	—	—	
Return on Investment	Price/Earnings Ratio (Note 2)	15.08	35.45	—	
	Price/Dividend Ratio (Note 3)	14.63	32.97	—	
	Cash Dividend Yield (Note 4)	6.84	3.03	—	

Note 1: Referred to TWSE website

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

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

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

Note 5: Pending for shareholders' approval

1.6 Dividend Policy and Distribution of Earnings

1.6.1 Dividend Policy :

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

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

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

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

Article 31 of the Company's Articles of Incorporation:

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

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

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

Articles of Incorporation of the Company does not clearly stated the dividend distribution ratio.

However, taking into account the capital requirement, long-term financial planning and shareholders' interest, Board of Directors is authorized to draft an appropriation plan and submit the plan for a resolution in the Shareholders' Meeting.

The status of Shareholders' Meeting on approving the proposal for the distribution of 2020 earnings: Board Meeting dated March 16, 2021 has passed the proposal for the distribution of 2020 earnings as table below. Each share could receive a cash dividend of NT\$1. Upon the resolution approved by Shareholders' Meeting dated June 10, 2021, the Company will proceed with following works.

2020 Earnings Distribution Proposal:

	Unit: NT\$
Cash Dividends to Common Shareholders (NT\$1 per share)	159,136,144

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

Not applicable.

1.7 Impact to 2020 Business Performance and EPS Resulting from Stock Dividend Distribution:

Not applicable.

1.8 Compensation to Directors and Profit Sharing Bonus to Employees :

1.8.1 Employees' Compensation and Remuneration to Directors and Supervisors as Stated in the Articles of Incorporation

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

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

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

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

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

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

1.8.3. Profit Distribution of Year 2020 Approved in Board of Directors Meeting for Employee Bonus and Directors' Remuneration :

1. 2020 Directors' Compensation and Employees' Profit Sharing Bonus

Distribution Items	Board Resolution (March 16, 2021)
	Amount (NT\$)
Directors' Compensation (Cash)	3,752,344
Employee's Profit Sharing Bonus (Cash)	22,138,829
Total	25,891,173

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

1.8.4 2019 Directors' Compensation and Employees' Profit Sharing Bonus

Distribution Items	Amount (NT\$)
Directors' Compensation (Cash)	6,611,550
Employee's Profit Sharing Bonus (Cash)	36,378,251
Total	42,989,801

1.9 Buyback of Common Stock:

As of March 31, 2021

Instance	13 th Batch
Purpose	Transfer to employee
Buyback Period	2020/03/25~2020/05/22
Price Range(NT\$)	NT \$16.92~19.7
Type and Volume (shares) of the Repurchased shares	Common Stock 6,000,000 shares
Amounts of the Repurchased share (NT\$ thousands)	108,425
The ratio of the Repurchased Shares to the Planned Buyback Shares (%)	100
Cancelled and Transferred Shares	0
Cumulated holding Volume (shares)	Common Stock 6,000,000 shares
The ratio of the Cumulated holding Volume to the total issued shares(%)	3.63%

2. Issuance of Corporate Bonds : None.

3. Preferred Shares : None.

4. Issuance of GDR/ADR : None.

5. Status of Employee Stock Option Plan :

5.1 Issuance of Employee Stock Options:

Not applicable.

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

Not applicable.

6. Status of New Employees Restricted Stock :

6.1 Status of Employee Restricted Stock: None

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

None.

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

GPM neither issued new shares in connection with mergers or acquisitions during 2020, nor as of the date of this annual report.

8. Funding Plans and Implementation: Not applicable.

V. Operational Highlights

1. Business Activities

1.1 Business Scope

1.1.1 Main business content

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

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

- (1) IC Packaging Front End Equipment : IC Bonding Machine 、 IC Wire Bonder
- (2) Flip Chip Process Equipment : Flip Chip Bonder 、 Glue Spreading Machine 、 Die Sorter
- (3) Semiconductor Packaging Process and Testing Equipment
- (4) Semiconductor Failure Analysis Testing Equipment
- (5) FPD Processing and Testing Equipment
- (6) Intelligent Total Solutions and Equipment
- (7) Other import and export business of related products

1.1.2 Revenue Mix(2020)

Product	Operating Percentage (%)
Display Process Equipment	42.82%
Semiconductor Process Equipment	30.24%
Intelligent Automation Equipment	12.08%
Others	14.86%
Total	100.00%

1.1.3 Products Currently Offered by GPM

(1) FT-LCD / OLED / Flexible OLED Display Process Equipment:

- A. Array Process Equipment
 - TEG Prober
 - Array Tester
 - Array Cleaner
 - Array Wet etching
- B. Cell Process Equipment
 - Edge Grinding Machine
 - Cell Tester
 - Polarizer Attachment machine
 - In- process Cleaner

-Glasses Thinner Process Defect Inspection Machine

C. Module Process Equipment

-Edge /Plasma Cleaner

-Excimer UV Cleaner

D. Inspection Process Equipment

-Panel Surface Inspection

-Burr Checker System

E. Automation Equipment

-G4.5 / G5 / G6 / G7.5 / G8.5/G10.5 Cassette Station

-Loader / Unloader & Automation for Cell Area

-Dense Packer / Unpacker C/V, Buffer etc.

-Automation for Production Line

(2) Semiconductor Failure Analysis Testing Equipment :

A. Picosecond Image for Circuit Analysis Equipment

(3) Semiconductor Process Equipment

A. Precision Machining and Precision Mold

(A) Trim / Form System

(B) Auto Molding System

(C) Trim / Form System

(D) IC Substrate Punch System

(E) Mold for Auto Sealing Machine

(G) Die Set /kit for Trim / Form System

(H) Fully Auto Panel Molding System

(I) FC Bump Coin Lamination Equipment

B. Precision Pick and Place

(A) Grain Pick / Place Machine

(B) IC Bonding Machine

(C) IC Die Multi-face Inspection and Sorting Machine

(D) Heat Sink Covering Machine

C. Laser

(A) Laser Marking Machine

D. Precision Grinding

(A) Substrate Grinder

(B) Strip Grinder

(C) Panel Grinder

E. Wet Chemical Process

(A) Batch Etcher

(B) Batch Striper

(C) Batch Developer

(D) Batch Cleaner

- (4) Semiconductor Inspection Equipment
 - A. Wafer Surface Defect Inspection machine
 - B. White Light Interference Measurement System for Wafer 3D Topography and Size
- (5) Intelligent Manufacture Total Solutions and Equipment
 - A. Intelligent Logistics System
 - B. Process Automation Equipment
 - C. Solar Cell Automation Handling System
 - D. Lithium Iron Battery Core Seal Welding and Lamination Device
 - E. Intelligent Diagnosis and Preventive Maintenance System
 - F. Robot Handling and Machining System
 - G. Intelligent Factory Integration Service

1.1.4 New Product (Service) in Planning

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

R&D Project (Technology)	Product
	● 12" Wafer 2D/3D Defect Inspection & Metrology
	● AI Defect Inspection and classification System
	● Picosecond Imaging Circuit Analysis , PICA III
	● Edge Grinding Machine (Mini LED)
	● High-precision Fan-out package grinding equipment
	● Dual Spindle Strip Grinding
	● Micro LED
	● IDMS II
	● vSLAM
	● Over Head AGV
	● AGF
	● Tape & Reel in / Frame out Sorter
	● PKG Micro Prober System
	● Fully Automatic Pick & Place PI Attachment
	● Fully Automatic Large Size Multi-Die Flux Die Bonder
	● Fully Automatic Ultra-High Accuracy Large Die Bonder
	● Upgrade to 100X300 S0 IDF Products Smart Element(Sp02 / Sk34 / Sk23)
	● Large Panel Rotate Tester
	● FPC Tester
	● 8 Chanel Test Module Upgrade
	● New IC ASIC for Tester
	● Mini LED Die Bonder
● Micro LED Bonder	

1.2 Industry Outlook

1. Current situation and development of industry: The Company is a manufacturer of process and testing automation equipment in the electronics industry, and will mainly focus on FPD industry, semiconductor industry and intelligent automation industry in 2021, as follows:

(1) FPD equipment industry

Looking back over the past year, starting from the first quarter of 2020, the sudden spread of the novel coronavirus epidemic hit the global economy hard. In addition, coronavirus plundered China mainland and South Korea in the early stage, which affected panel production. At the same time, Samsung, the Korean factory, continued to reduce production. In addition, many cities in China mainland adopted closed management measures, which impacted the logistics supply of upstream materials and components. On the other hand, the production lines of Taiwan factory's panel front process were all in Taiwan, and the supply chain of upstream materials and key components in Taiwan was complete. At the same time, the government controlled the epidemic properly and achieved good results, which was beneficial for Taiwan practitioners to strive for the effect of switching orders from brand manufacturers in order to disperse the supply chain. Then the epidemic situation in Europe and America climbed, resulting in the closure of cities in many countries. As a result, the economy of telecommuting, online education, etc. took advantage of the trend, and the demand for 3C products such as notebook computers, desktop computers, TVs and mobile phones, etc. was in short supply. The demand for panels was not affected. The overall performance of panel factories all over the world was promising, and the off-season in the first quarter of 2021 was not weak. This wave of demand forecast continued until the first half of 2021.

DIGITIMES Research looks forward to the development of the global large-size LCD panel industry and market by 2025. The situation that the annual growth rate of production capacity reached more than 9.4% from 2018 to 2019 will no longer happen, and the overall supply and demand will tend to be healthy. In terms of the supply side, in 2025, BOE and TCL CSOT, the two big companies in China Mainland, are expected to control nearly 49% of the production capacity, which will dominate the market trend. Taiwanese factories must consolidate their market share in NB, monitor applications and other non-mainstream applications before they have the opportunity to create profit margins.

Due to the reduction of LCD production lines in South Korea, the main control rights of Samsung Display (Samsung Display; SDC) 8.5-generation factory in Suzhou has also been transferred to TCL technology. It is estimated that SDC will focus on small and medium-sized AMOLED in the future and expand investment in new OLED panel products. Chinese panel manufacturers BOE and TCL CSOT continue to expand the production capacity of 10.5/11 generation panels, and are expected to complete the equity acquisition of CEC Panda LCD Technology Co., Ltd. Nanjing and Chengdu 8.5/8.6 Generation Plant and SDC Suzhou 8.5 Generation Plant within 2021, so the total production capacity of the two Chinese panel manufacturers is expected to reach the influence of nearly doubling.

It is estimated that the proportion of Taiwan factory's global large-size LCD panel production capacity will be reduced from 25% in 2020 to about 22% in 2025. Since Taiwan factory's more competitive market is divided into NB panels and monitor panels with smaller size than TV applications, the market share of global large-size LCD panel shipments is expected to be maintained from 2020 to 2021. Since 2020, Chinese panel manufacturers have actively entered the IT panel market (NB, monitors), and the compound annual growth rate (CAGR) of Taiwanese manufacturers' production capacity from 2020 to 2025 is estimated to be only 0.1%, so it is impossible to confront TV applications head-on. Therefore, competitive IT applications and niche non-mainstream applications must be consolidated in order to create profits in an environment where capacity expansion is at a disadvantage.

During the period from 2020 to 2025, the global CAGR of large-size LCD panels is estimated to be -0.3%, and for the four major applications, it's estimated that only LCD TV, while the CAGR of other monitors (including AIO PC), NB and tablet computers will be negative value. With the trend of large-size car panels and multi-screen in one car, and the rising of smart education, smart conference, smart retail and medical demand, it is estimated that the growth rate of shipment of such applications will be the most prominent, and it is estimated that CAGR will reach 10.5% from 2020 to 2025. Other types of applications include automotive panels, public display information billboards, interactive electronic whiteboards, video walls, advertising and retail panels, industrial and medical

use, ATM machines, large game machines, point-of-sale checkout systems (POS), etc., and the product differentiation is very divergent. During the period from 2020 to 2025, the CAGR shipment of conference whiteboard is estimated to reach more than 20%, the main reason is that there are more than 30 million medium and large conference rooms in the world, and the penetration rate of conference whiteboard is less than 5% at present, so there is still room for growth in the future.

In addition, Taiwan has begun to develop Micro LED technology, but Micro LED still has process bottlenecks to be broken, manufacturers can switch to existing equipment and change some process parameters to develop Mini LED products. The possible development direction of Mini LED in the future covers VR, TV, mobile phone, tablet, vehicle panel, display screen, etc. It is estimated that the overall Mini LED will grow well by 2024. DIGITIMES Research pointed out that after the Mini LED display application tests the market water temperature in 2020, it will usher in a new market atmosphere in 2021, and it will officially enter the year of light and heat from the first year of take-off, which will bring new growth opportunities for the long-depressed LED industry. In particular, big brands such as Apple and Samsung actively invested, driving the growth engine of the market to show a multiple increase in shipments. With the application of Micro LED, it will soon move from 2021 to the first year of mass production. Mini/Micro LED will challenge the territory of OLED forces positively, and in 2021, the competition for mass production of display technology will enter a straight ball showdown.

2021 will be the key year for Mini LED and Micro LED to attack separately, which will bring about a new trend of display technology. At present, Mini LED has the explosive growth of quickly connecting with market demand, and it is expected to continue to lead the market in the next few years. However, as Micro LED enters the mature mass production stage, the advantages of simplified components and structure will gradually bring into play the cost-effectiveness reduction. Whether Mini LED will become a springboard technology in the transitional period will be an industrial change worthy of close observation in the medium and long term.

(2) Semiconductor Equipment Industry

Even though the COVID-19 epidemic and the Sino-US trade war interfere with the global semiconductor supply chain and related demand, driven by many factors on the supply and demand side, such as the demand derived from the epidemic, preventive stocking in the supply chain, emerging business opportunities of 5G applications, mass production of 5 nm advanced process, and the scheduled expansion plan of the industry, DIGITIMES Research estimates that the global foundry output will challenge 70 billion US dollars in 2020, with an annual increase of 17%; From 2021, emerging applications such as 5G will grow rapidly. In addition, due to advanced manufacturing processes and other factors, it is estimated that the annual output value will continue to increase by 6.8%, and the average compound growth rate (CAGR) will reach 6.4% from 2020 to 2025. However, the Sino-US trade war is one of the important variables.

DIGITIMES Research estimates that although the epidemic has impacted the demand for some electronic products, it is driven by such factors as chip demand for laptop, derived notebook, remote application and cloud service, supply chain preventively raising the inventory level to avoid the risk of supply cut-off, increasing the penetration rate of 5G smart phones, and launching new CPU and GPU products. The supply side is supported by 5 nm advanced process mass production, and the industry's production expansion pace is on schedule. In 2021, driven by the economic warming and the doubling of the shipment of 5G smart phones, the global foundry output value is expected to further increase by 6.8%, reaching US\$ 74.5 billion.

From 2020 to 2025, the global foundry output value of CAGR generation industry will reach 6.4%. Emerging technology and application opportunities such as 5G are affected by the epidemic when they emerge, but they are expected to emerge gradually from 2021, driving the demand for related semiconductors. IDM companies such as Sony, Samsung Electronics, and Intel have gradually expanded the outsourcing of chips. Advanced process continues to advance, strengthening revenue growth momentum of TSMC and Samsung Electronics in the next five years. TSMC and Samsung's 4 nm and 3 nm processes will be mass-produced in 2021~2022, which is expected to continuously optimize the foundry product portfolio. Advanced process promotion also provides wafer foundry manufacturer with the opportunity to undertake IDM outsourcing business. According to

DIGITIMES Research, TSMC and Samsung can mass-produce the 2nm process as soon as 2024 if one generation process is promoted for two years.

Major wafer foundries have production expansion plans from 2020 to 2021, and the epidemic situation has not affected the pace of production expansion. Wafer foundries including TSMC, UMC, VIS, SMIC, Hua Hong Group, Hefei Nexchip, etc. all have plans for new production capacity. Samsung Electronics announced in May 2020 that it will build a new plant in Pyeongtaek with a capacity of 5 nm. The plant is expected to start production in the second half of 2021. From 2022 to 2025, major wafer foundries will also have new production capacity and make plans. Advanced processes, such as 3 nm production capacity, will achieve mass production before the end of 2022. DIGITIMES Research believes that if one generation of processes is promoted for 2 years, mass production of 2 nm can be achieved as soon as 2024. Emerging applications such as 5G, AI, IoT and automobile also drive special process requirements such as HV, RF, MEMS and CIS, etc. Practitioners such as PSMC, Hefei Nexchip and SMIC have planned new investment cases, and it is estimated that new production capacity will be opened one after another before the end of 2025. Advanced packaging technology is expected to meet the production requirements of emerging application chips such as 5G and AI, and increase the revenue of wafer foundry. TSMC and Samsung continue to invest in the development of 2.5D/3D advanced packaging technology. Foundry practitioner may benefit from the policy of China removing things related to America, but because they adopt American technology (including software and hardware) for production, the future capacity supply may still be subject to American policy. TSMC announced that it would stop shipping to Huawei after mid-September 2020 due to the US ban on Huawei. Besides Huawei and ZTE, Chinese companies including SenseTime Technology, Hikvision, etc. have also been included in the entity list, and the risk of related wafer foundry business being affected by US policies has increased.

The semiconductor equipment manufacturers in Taiwan are deeply involved in back-end packaging equipment at the same time, and Taiwan has successively invested in advanced packaging fields among leading semiconductor manufacturers, which also brings development opportunities for the equipment industry in the next 3-5 years. According to DIGITIMES Research, the output value of IC packaging and testing in Taiwan is expected to reach USD 18.76 billion in 2020, with an annual increase of 16.3%. Due to the uncertainty of the big environment, the acceleration of digital transformation activities due to the epidemic situation, the improvement of safety stock by customers, etc., IC customers actively pull goods, resulting in the shortage of IC packaging and testing capacity. Partially alleviating the Huawei ban impacts IC packaging and testing factory in Taiwan. ChipMOS and Chipbond began to raise the bid price for packaging and testing in the fourth quarter of 2020.

According to DIGITIMES Research, the output value of IC packaging and testing in Taiwan is expected to reach USD 20.49 billion in 2021, with an annual increase of 9.2%. The kinetic energy of IC customers to pull goods continues, and the visibility of sealed and measured orders will reach to the first half of 2021. The practitioners' operating prospects are optimistic. The spare packaging and testing capacity of Taiwan factory affected by Huawei ban is estimated to be filled in the first half of 2021. ASE and Chipbond plan to increase price. Strong demand for packaging and testing supports the expansion plan of Taiwan factory and raises capital expenditure.

In the first half of 2021, the kinetic energy of wafer pulling is expected to continue to be strong, the order visibility of Taiwan factory is clear, the production capacity is in short supply, and the operation prospect of Taiwan factory in 2021 is positive. ASE expects to increase the IC packaging and testing price in 2021, and Chipbond does not rule out further price increase in 2021. In 2021, Taiwan IC packaging and testing industry will continue to expand production to meet customer needs. Except that the capital expenditure of ASE in 2021 is slightly lower than that in 2020, other practitioners have increased their capital expenditure. In 2020, ASE has mobilized capital expenditure ahead of schedule to expand production capacity demand in 2021. Powertech will expand the package capacity of bump and logic IC. In addition to expanding the production capacity of Zhunan and Tongluo plants, King Yuan Electronics also plans to build new plants near Tongluo plants. Chipbond will expand the packaging and testing capacity of DDIC, RF module and flash memory. ChipMOS will continue to expand DDIC test capacity in 2021.

In addition, according to the "300mm Fab Outlook to 2024" published by the Semiconductor Equipment and Materials International (SEMI) in 2020/11, the investment in 12-inch wafers in 2020 increased by 13% compared with last year, surpassing the historical high set in 2018. Driven by the

Covid-19 epidemic accelerating the global digital transformation, it is expected to create a growth trend all the way. It is expected that it will reach a new peak in 2023 and become another harvest year for the semiconductor industry.

Besides the cloud services, servers, laptop, games and medical technology-related demands, the fast-growing emerging technologies such as 5G, Internet of things (IoT), automobiles, artificial intelligence (AI) and machine learning, which drive the further development of connectivity, large data centers and big data, are also indispensable.

Cao Shilun, global marketing director of SEMI and president of Taiwan, said: "The COVID-19 epidemic has almost accelerated the digital transformation of all industries and reshaped the way we work and live. The record expenditure forecast and 38 new wafer foundries are the best examples of semiconductors as the cornerstone of advanced technology development. The related technologies will not only drive this transformation forward, but also help solve the enormous challenges facing the world."

Investment in semiconductor wafer foundries will continue to grow in 2021, but the growth rate will slow down by 4% compared with the previous year. It can be seen from the report that the previous industrial cycle has been staged again. Before and after reaching a record high of US\$ 70 billion in 2023, it will decline moderately in 2022 and decline slightly again in 2024. Although there are slight fluctuations, the overall investment scale is increasing year by year.

Semi's "12-inch Wafer Outlook Report" conservatively predicts that at least 38 new 12-inch wafer foundries will be added in the semiconductor industry from 2020 to 2024, and the low possibility or rumored wafer foundry construction projects are not included. In the same period, the monthly production capacity of wafers increased by about 1.8 million pieces (wpm) to over 7 million pieces.

Based on the high possibility project forecast, at least 38 new 12-inch wafer foundries/production lines will be built from 2019 to 2024, of which 11 will be added in Taiwan and 8 in China, accounting for half of the total. In 2024, the total number of 12-inch wafer production plants in the semiconductor industry will reach 161.

China's share of global 12-inch wafer production capacity continues to increase rapidly, and will jump from 8% in 2015 to 20% in 2024. It is expected to reach 1.5 million wafers per month (wpm) in 2024, the last year covered by the report. Although non-Chinese companies account for a large part of this growth, Chinese enterprises and organizations are accelerating capacity investment. Related enterprises account for about 43% of China's wafer foundry capacity in 2020, which is expected to reach 50% in 2022 and climb to 60% in 2024. In contrast, Japan's global 12-inch wafer production capacity continued to decline, from 19% in 2015 to 12% in 2024; The proportion of America also showed a downward trend, and it is estimated that it will drop from 13% in 2015 to 10% in 2024.

South Korea won the throne of the largest export country in the region, with an investment between US\$ 15 billion and US\$ 19 billion, followed by Taiwan with an investment between US\$ 14 billion and US\$ 17 billion for 12-inch wafers, followed by China with an investment between US\$ 11 billion and US\$ 13 billion. Investment growth is strongest between 2020 and 2024 in areas with low expenditure. Europe/Middle East leads with an astonishing growth rate of 164%, followed by Southeast Asia with 59%, America with 35% and Japan with 20%.

The expenditure growth of 12-inch wafer foundries is mainly memory. From 2020 to 2023, the actual and predicted investment will grow steadily at a high single-digit rate every year, and will increase to 10% in 2024. DRAM and 3 D NAND's expenditure on 12-inch wafer foundries fluctuated from 2020 to 2024; The investment of logic /MPU microprocessor will increase steadily from 2021 to 2023; Power-related components are the best among them. The investment growth rate will exceed 200% in 2021, and will continue to grow in double digits in 2022 and 2023. (Source: SEMI 2020/11)

(3) Intelligent automation industry

Since Germany took the lead in leading Industry 4.0, related technologies have also advanced by leaps and bounds, including 5G, AI, Industrial Internet of Things (IoT), Big Data, Robot and other technologies, which have gradually created new smart factories and brand-new industrialization

standards. Many manufacturers in Taiwan have introduced various industrial robot products, such as robot arm combined with AGV, which can expand the application scope of both, and the application field will extend from manufacturing to service industry.

Especially in recent years, the wave of artificial intelligence (AI) has given Industry 4.0 a new development orientation, and clearly distinguishes the differences between "automation" and "intelligence", including "machine learning" and "deep learning". Artificial intelligence technology based on algorithm analysis has become a new trend in the future development of Industry 4.0, which not only makes automation and robot technology more accurate, but also starts to enter the manufacturing industry

Smart machinery industry will be the driving engine for Taiwan to promote smart manufacturing. However, since the Sino-US trade war and the successive impacts of Covid-19, the machinery industry will inevitably be affected. However, the industry generally believes that this is a short-term phenomenon, and the ignition of smart machinery will be the key to the growth of the machinery industry. During this period, through the cross-disciplinary cooperation among the industry, academic circles and the information and communication industry, the development strategy of smart machinery has also advanced to a brand-new look. (Source: DIGITIMES)

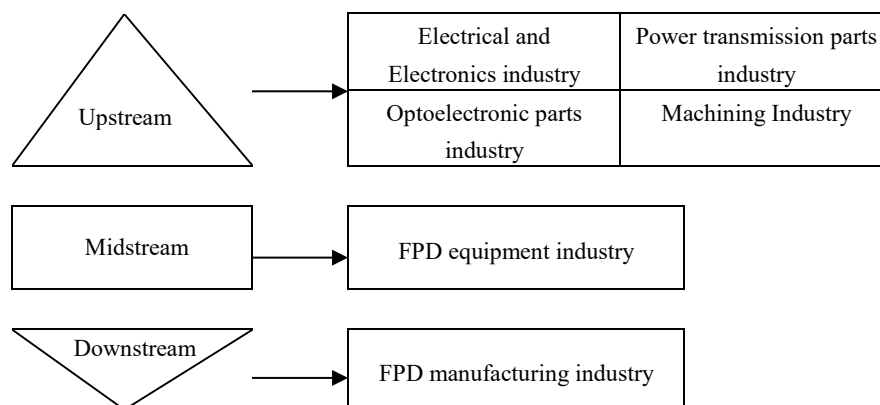
Driven by the pioneers of digital transformation, more and more manufacturing enterprises have joined the wave of digital transformation. The platform ecology centered on blockchain and artificial intelligence will realize process automation of enterprises, and cross-industry collaboration will reduce costs for enterprises. In order to improve speed, agility, efficiency and innovation, more and more manufacturing enterprises will carry out extensive reconstruction, and place data at the center of the process. Workers in manufacturing plants will improve productivity and working environment through augmented reality/virtual reality (AR/VR), smart applications, cooperative robots, etc. (Source: IDC 2019/1)

Trend Force's Topology Research Institute pointed out that with the shortening of product life cycle, a small amount of diversification and customization become the mainstream of manufacturing industry, and the global smart manufacturing market will approach USD 370 billion in 2022, with an average annual compound growth rate of 10.7% from 2019 to 2022.

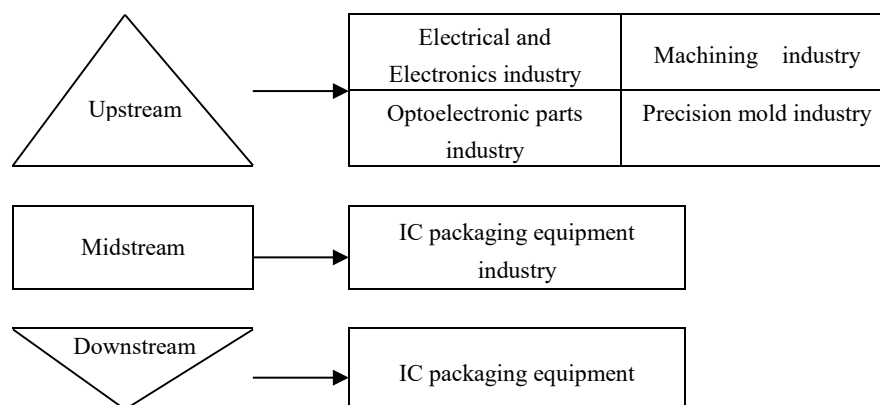
According to the latest research of Global Market Insights, influenced by the popularization and promotion of smart manufacturing technology, artificial intelligence has become an important technology of smart manufacturing, which can find regularity and establish patterns from big data analysis, learn previous mistakes and avoid them, and even achieve the function of prediction in advance. In 2025, the artificial intelligence (AI) market of manufacturing industry will reach 16 billion US dollars.

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

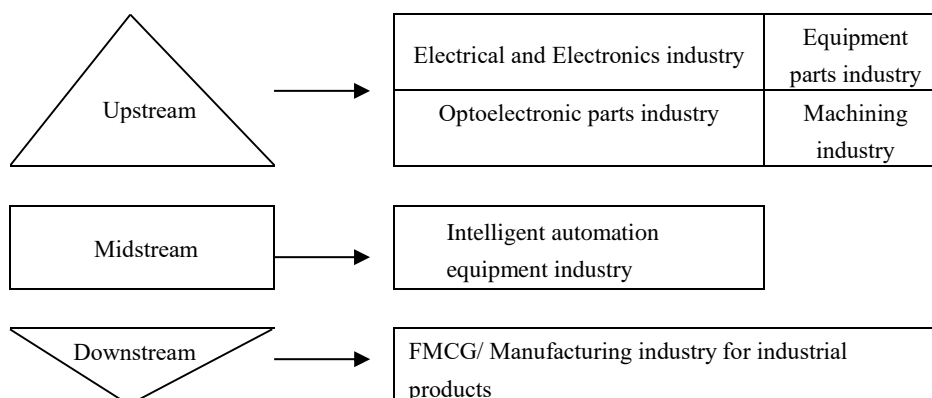
(1) FPD equipment industry



(2) Semiconductor IC packaging equipment industry



(3) Intelligent automation equipment industry



3. Product development trends and competition status

(1) FPD Equipment industry

According to DIGITIMES Research, in the fourth quarter of 2020, Taiwan factory (excluding Sharp) shipped 74.76 million TFT LCD panels with large size (9 inches and above), which increased by 4.4% quarter and 26.5% year, both of which were better than originally expected. The main reason was that display, the second largest panel supplier for tablets below 9 inches in Taiwan, shifted some production capacity to large size due to the slight demand for LCD for mobile phones and the significant increase in the price of large-size panels. It is expected that under the traditional off-season and the shortage of key chips, the shipments of large-size panels

of Taiwan factory will decrease by 7.3% in the first quarter of 2021.

In the fourth quarter of 2020, the shipments of tablet computers and "other" panels (mainly automotive and public display panels) by Taiwan manufacturers increased significantly in the quarter, while those of TV and monitors decreased in the quarter due to Chinese mainland panel manufacturers actively attacking the market. Among them, the shipment growth of "other" panels was mainly driven by the large-scale trend of automotive panels. Panel shipments for tablet computers increased by more than 40% in the quarter, mainly due to the peak consumption season of tablet PCs and the epidemic situation in the fourth quarter, which led to the demand for commercial tablets and educational tablets, and it was also an important factor that display turned back to attack the application of large-size tablet computers.

Looking forward to the first quarter of 2021, it is estimated that the Taiwan factory will perform better in the shipment of IT panels (NB and monitors), and the quarterly decrease of the shipment will be within 5%. The IT panel is the focus of the Taiwan factory's shipment, and more support will be given to the upstream key chips (mainly driver IC and power management IC). TV panel shipments are estimated to decrease by 8.1% in the quarter due to the lack of 10.5/11 generation panel production capacity, which is unfavorable to compete with Chinese panel manufacturers. Due to the continuous decline of Huawei and white-label market in the first quarter, and the shortage of upstream key chips, it is estimated that the shipment of tablet applications will show a double-digit quarterly decline.

Smart phone panel turns to AMOLED, digital camera, portable navigator and other consumer electronic products. Due to the integration of functions by smart phones, the mainstream size of tablet PCs inclines to more than 9 inches and the shipment volume continues to decrease, industrial control, vehicle panel and Internet of Things related applications will become the main applications for the stable growth of small and medium-sized TFT LCD.

On the demand side of equipment, there are the following trends:

- A. Equipment requirements are mainly large-sized and LTPS and OLED small-sized production equipment.
- B. The demand for Micro/Mini LED devices will gradually increase in Taiwan and China mainland.
- C. The demand for bulk equipment will mainly come from the mainland.
- D. In line with the demands of Taiwan panel practitioners to emphasize the high quality and difference of products, there will be a lot of demand for local expansion and new equipment.
- E. The Chinese government actively promotes the localization of panel equipment.

According to the above trend, the most important equipment demand will be concentrated in the mainland market, but the new challenges faced by Chinese local equipment manufacturers will be greater.

(2) Semiconductor Equipment Industry

According to the research conducted by Topology Research Institute in 2020/12, benefiting from products such as communication equipment, distance application office teaching, notebook computers, games and medical electronic equipment, the global demand for chips has been continuously improved under the influence of the Covid-19 epidemic. In addition, due to the uncertain factors of Sino-US science and technology war, global semiconductor manufacturers continue to increase equipment expenditures in order to consolidate their own technology and increase production capacity, and equipment manufacturers benefit from this, and then receive increased orders and increase equipment shipments. In 2020, the global output value of semiconductor equipment is estimated to increase by 7.7%, reaching 64.1 billion US dollars. There are still many plans to build new wafer foundries in 2021, and the output value of equipment is expected to show a steady growth trend.

In terms of regions, China, Taiwan and South Korea are the top three markets in terms of equipment expenditure in 2020, among which China is concentrated, with special emphasis on semiconductor autonomy, and domestic foundry manufacturers are expanding their factories continuously, which drives the expenditure on semiconductor equipment to rank first. However,

in October 2020, SMIC, the leader of China's foundry industry, was listed on the US export control concern list, which will cause SMIC to have a certain degree of influence on the difficulties of American equipment manufacturers in purchasing equipment, so that China's total expenditure on semiconductor equipment may drop by 3% in 2021.

China accelerates to removing American things for semiconductors, and the potential order demand of semiconductor supply chain of Taiwan manufacturers will increase. Under the influence of Sino-US science and technology, Chinese semiconductor manufacturers are facing the risk of US ban, and the removing American things of China's major foundry packaging and testing factories is bound to accelerate, which will not only improve the equipment adoption of the Chinese team, but also improve the dependence on the supply chain of Taiwan manufacturers.

Sino-US science and technology war shows the autonomy of semiconductor equipment in manufacturing and production, so many countries have spent a lot of effort on the autonomy of semiconductor equipment, and Taiwan has spared no effort in this trend. In terms of packaging and testing, the adoption rate of made in Taiwan equipment is better than that of the previous process. For example, the adoption rate of Taiwan-made equipment made by TSMC in the latter stage is about 30%. In the part of automation equipment, Taiwan automation mechanical equipment is excellent in technology, which is also the best opportunity to enter semiconductor equipment. In view of the fact that automatic handling equipment has nothing to do with wafer process, it also enhances wafer manufacturers' interest in local equipment.

Advanced packaging such as 3D/2.5D/Fan-out has become a trend, but there is no single standard equipment in the market due to different manufacturing methods. therefore, all major manufacturers need equipment that can respond quickly and cooperate with manufacturing processes to strengthen their competitiveness, which also creates a good development opportunity for domestic equipment manufacturers.

(3) Intelligent automation equipment industry

With the increasing progress of AI, the low price of IoT components and the ever-changing application of big data analysis, the development of smart factories has gradually matured. Machines, equipment, devices and components are connected through the Internet of Things, and data and information are connected in series with each other, making the production process intelligent, so as to achieve intelligent production lines.

The U.S.-China trade dispute is an important focus affecting the prosperity, but some practitioners believe that due to the impact of the Sino-US trade dispute, many practitioners began to set up overseas second production bases, and the related demand gradually fermented, resulting in an industry related to smart manufacturing, such as machine tools. However, it needs long-term cultivation and observation of follow-up effects.

Besides machine tool manufacturers, those who are optimistic about smart manufacturing to drive market demand, including machine tool upstream component manufacturers and system integrators, also have similar observations. Machine tool practitioners believe that, apart from the transformation of Chinese mainland manufacturers towards smart manufacturing, other business opportunities, such as gradually deploying to Vietnamese and Southeast Asian markets in response to environmental needs, may emerge one after another in recent years at the earliest.

Key component practitioners pointed out that the global manufacturing industry has entered the era of smart manufacturing, and enterprises have stepped up their efforts to invest in smart factories. Apart from automation/intelligence of machinery and equipment, the influence of the trend of industrial Internet of Things and the integration of virtual and real systems are all important issues. Regardless of industrial upgrading or transformation, in the process of building intelligent manufacturing production lines, the demand for automation related components such as electronically controlled proportional valves, electronic flow meters, container valves, etc. will also increase, which will also bring some attention to the practitioners.

In addition, in response to the trend of smart manufacturing, the demand for real-time visualization of data is becoming more and more popular. For smart manufacturing system integrators, what they need to do is not only to integrate a single machine or production line, but also to present real-time operation information of all machines through remote monitoring for

different brands of machine equipment in the whole factory, so as to achieve the goal of efficient and intelligent management including standardization of equipment interoperability, transparency of information and digitalization.

At present, it can be said that smart manufacturing has become a necessary development direction for global manufacturers. Even if the plan is temporarily postponed or suspended due to the uncertain factors in the big environment, most of them are only progress adjustments, and few cases of total suspension have been heard. However, as long as the situation of the big environment tends to be stable, the affected projects will not only restart their implementation, but even accelerate the implementation progress, which will bring a new wave of growth opportunities to the supply chain practitioners of related industries.

The US-China trade war, science and technology war and COVID-19 epidemic have had a major impact on the global machinery market demand; It also forms a major obstacle to the development of machinery industry in Taiwan. Facing the new normal after the epidemic, promoting digital transformation will be an important way to enhance the competitiveness of machinery industry.

Under the new normal of post-epidemic situation, digital investment in manufacturing industry can be carried out in two directions: digital transformation based on existing equipment and production lines, and intelligent transformation. And the establishment and implementation of digital software (including related hardware facilities) that can upgrade the existing production system. For Taiwan machinery industry, on the one hand, it can enhance its competitiveness through digital transformation of enterprises; On the other hand, it can grasp the digital demand under the new normal of global manufacturing post-epidemic, accelerate the development of digital solutions for existing equipment and production lines, and strive for huge business opportunities.

Compared with other countries, because of the success of epidemic prevention in Taiwan Province, the manufacturing industry is less impacted by COVID-19 in terms of production, but it may also make enterprises have less motivation to promote digitalization and digital transformation because their operations are affected by the epidemic. Taiwan machinery industry needs to master this digitalization process to avoid being widened (advanced) by competing countries in market competitiveness in the future.

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

Unit: NT\$ thousands

Year	2020	As of March 31, 2021
R&D expenses to Operating income	298,701	86,550
R&D expense to Operating income ratio	8.63%	8.12%

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

R&D Project (Technology)	Product
	● Emission Microscopy , EMMI
	● AI Defect Inspection System
	● Picosecond Imaging Circuit Analysis , PICA II
	● Parts/Material AGV
	● IC Substrate Grinding MC
	● Strip Disc Grinding MC
	● Edge Grinding Machine (TV)

●	IDMS I
●	FPC Micro Prober System
●	Fully Auto IPM Motor Rotor Epoxy Molding System
●	High speed 6S Inspection Chip Sorter
●	Fully Automatic Sorter for JEDEC Tray To Wafer
●	Panel Saw Pick & Place with Inspection
●	Fiber-Optic Communication Die Bonder
●	BOSCH Small Rotor Test Mold
●	Measure the Electronic Module

1.3 Long-Term and Short-Term business development plans

1.3.1 Short-Term business plans

- (1) Cooperate with foreign technical cooperation, strengthen and deepen FPD's next-generation high value-added equipment, and drive the company's diversified and sustainable operation, so as to expand the future innovation and progress in the display industry, carefully select reasonable gross profit business opportunities and make profits first.
- (2) Continue the achievements of intelligent automation development in 2020, and concentrate resources to provide intelligent automation integration solutions for representative customers in key industries to achieve their intelligent manufacturing goals.
- (3) Continue to expand cooperation with world-class companies, become its long-term automation equipment partner, and ensure stable development of business sources.
- (4) Through technology introduction/cooperation, in line with the needs of partner customers, we will vigorously cut into the development of advanced testing technology of semiconductor front end with high added value, as well as the testing and grinding equipment of middle and back end packaging process.
- (5) Improve the product performance in the field of IC carrier board to deepen the product line and expand the customer base.

1.3.2 Long-Term business plans

- (1) Innovation and transformation, extension of tentacles and sustainable development are the guiding principles of development strategy.
- (2) Business orientation
 - The display industry, semiconductor industry and intelligent automation industry will be further promoted.
 - Extend related products to other foreign markets.
 - Strengthen the return of Taiwanese businessmen and the business opportunities of decentralized production by international manufacturers.
 - Deeply cultivate the after-sales service market of equipment and components, and grow together with customers.
- (3) Product aspect
 - The core technology (equipment & process) is deeply developed.
 - Expand the core technology in cross-domain product integration and application development.
- (4) Internationalization strategy of cultivating multiple talents.
- (5) Strategic alliance with partner companies, joint efforts to create, service value added, and maximum comprehensive effect.

2. Market, Production, and Sales outlook

2.1 Market Analysis

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

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

Unit: NT\$ thousands

Items \ Year	2019		2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Domestic Net Sales	1,359,275	32.09%	1,124,349	32.49%
Net Sales from Export	2,876,740	67.91%	2,336,042	67.51%
Total	4,236,015	100.00%	3,460,391	100.00%
Market Share	Not applicable		Not applicable	

2. Market Development

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

(1) Display Industry

The main driving force of tablet application is the trend of large-scale product screen, but it will be impacted by AMOLED technology eroding LCD panel market in 2022 and beyond. Other applications include large-scale vehicle panels, digital billboards, industrial, medical, automatic teller machines, large-scale game machines, point-of-sale checkout systems, etc. Among them, vehicle panels are the most favored, followed by digital billboards.

According to the investigation and analysis of DIGITIMES Research, the demand side: It is expected that the global epidemic will still pose a threat due to variant viruses in the first quarter of 2021, and the demand for home economy, homework and distance learning will continue. According to the survey results of HP, a computer manufacturer, more than 80% of enterprises will maintain or increase their annual IT budgets in 2021, so the demand for IT panels is expected to continue to be strong. In the first quarter, panel prices continued to rise, threatening to approach the tolerance limit of brand manufacturers and consumers.

Supply side: As the price of large-size LCD panels continues to rise, and Samsung Electronics and LG Electronics cannot meet their own needs when the overall supply of large-size LCD panels is tight, the factory closure schedule of related companies Samsung Display (SDC) and LGD has been postponed until the end of 2021. Chinese panel manufacturers actively attack the monitor panel market, including TCL CSOT and HKC, which have seen significant annual growth in shipments since 2020. Taiwan IC designers have a high mastery of driving IC and power management IC (PMIC) for IT panels (about 55~70% depending on the application). In the first quarter, Taiwan factory's reduction in IT panel shipment season will be lower than that in other regions.

In the first quarter of 2021, NB panels will account for 41% of Taiwan's large-size panel shipments, continuing to hit a new high, mainly because Taiwan's application here is more competitive. "Other" applications benefit from the demand of vehicle and public display, and their proportion has been increasing continuously in the past year. TV and monitor applications, because Chinese panel manufacturers have the advantage of huge panel production lines of 8.5 generation and above, can supply larger TV panels and mix and cut TV and monitor panels on the same glass substrate, thus gradually eroding the market share of related applications of Taiwan factories. Because the import of chips required by Huawei, a key customer, tablet computer application has been restricted by the US, it can only be supported by inventory. In addition, the demand in the white-label market is poor, and the proportion of tablet applications in Taiwan factory shipments will decline in the first quarter.

Many major products of the Company have been successfully focused on major FPD customers. With the strong research and development of G8.5/G10.5 equipment and Micro/Mini

LED related equipment, it is expected that the display equipment of our company will achieve fruitful results this year.

(2) Semiconductor Industry

Looking at the market situation, the application of 5G communication, mobile devices, automotive electronics, high-performance computing and Internet of Things, and artificial intelligence will still be the main axes of market development in the next three years. Advanced packaging such as 3D/2.5D IC/Fan-out has become a trend, but there is no single standard equipment in the market due to different manufacturing methods. therefore, all major manufacturers need equipment that can respond quickly and cooperate with manufacturing processes to strengthen their competitiveness, which also creates a good development opportunity for domestic equipment manufacturers.

The Company has been focusing on the business of semiconductor packaging equipment for many years, and many products have been recognized by customers of first-line big factories in the market. It has the advantage of being close to customers and strong technical foundation for many years, supplemented by flexible features to meet the needs of customers, and can provide customers with long-term satisfactory services. In the aspect of advanced packaging technology, we are more actively involved in the development of a number of forward-looking technologies and equipment, and make every effort to lay out the layout of new process equipment in the future. At present, many new process equipment have been successfully introduced into the world's major manufacturers. Based on the rising market demand, the outlook for 2021 should be cautiously optimistic.

Because the trade war is in the ascendant, coupled with the variables of pneumonia epidemic. The factors driving the re-growth of the semiconductor market first refer to the investment in 5G wireless communication equipment and mobile phones. First, the enterprise investment in related equipment such as base stations, followed by the increase in mobile phone production and investment in new components. The Japanese component factory also has the news of 5G related demand growth.; Although the trade war has depressed the short-term semiconductor development in China mainland, strengthening China mainland's determination to expand self-made semiconductors will also help the semiconductor equipment market.

TrendForce's Topology Research Institute said that the demand for foundry market is still strong in the fourth quarter of 2020, and the production capacity of various industries is continuously full. The tight production capacity makes the price increase effect drive the overall revenue upward. It is estimated that the top ten foundry companies in the world in the fourth quarter of 2020 will have revenues of more than 21.7 billion US dollars, with an annual growth rate of 18%. Among them, the top three market share are TSMC, Samsung and UMC. Thanks to the demand of 5G mobile phones and HPC chips, TSMC's 7nm process revenue continued to grow, and the revenue of 5nm process has been included since the third quarter of 2020. In the fourth quarter, the growth momentum continued to be strong, and the demand of 16nm to 45nm process returned to warm. In the fourth quarter of 2020, the revenue reached a record high again, with an estimated annual growth of about 21%. In addition, due to the continuous influx of OEM orders for driver IC, PMIC (Power Management IC), RF, IoT applications, etc., UMC's 8-inch wafer production capacity is fully loaded, and its price increase trend is established. In addition, the 28nm process continues to complete the customer's design and subsequent stable offline production. It is estimated that UMC's annual revenue growth below 28nm in the fourth quarter of 2020 will reach 60%, and the overall annual revenue growth will be 13%. In 2021, this grand occasion will make the global foundry market return to the seller's market from the buyer's market in the past, and it is hard to find a grand occasion.

(3) Smart Manufacturing Industry

Our company's intelligent equipment mainly focuses on unmanned truck system/intelligent diagnosis and preventive maintenance system (IDMS)/ robot processing system and other solutions. The ability of system integration is the company's advantage. It has achieved achievements in equipment construction in semiconductor/panel/solar energy /PCB industries, accumulated hard work in production and manufacturing and soft power in system integration, and won high evaluation and repeated awards at home and abroad. In recent years, in response to the development trend of Industry 4.0 and smart machinery, we have provided smart

manufacturing solutions and accelerated the promotion of smart manufacturing solutions in manufacturing industry.

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

(1) Favorable factors

In the field of display, we have successfully developed the main process products of Array and Cell segments by transferring Japanese high value-added Array segment PROBER and wet process etching equipment technologies, and effectively extended their applications to major customers, making the company's operation in the field of display more complete and healthy.

In 2021, the global electronic market will focus on smart handheld devices, Internet of Things, 5G, memory, artificial intelligence, automotive electronics, virtual reality and augmented reality. The growth potential of the automotive semiconductor and memory market in the future cannot be ignored, and 5G and AI applications will gradually grow. While these markets generate the demand for many new equipment, the semiconductor industry is in a wave, and advanced semiconductor packaging has become a trend. However, due to the different manufacturing methods of major manufacturers, there is no single standard equipment in the market. Therefore, all major manufacturers need equipment that can respond quickly and cooperate with process development to strengthen their competitiveness. The Company has advantages close to customers, technical foundation for many years, and flexible features to meet the customized needs. In addition, the support of the government and Taiwan Province indicator manufacturers for the localization of equipment is a good time to cut into the market and grasp the trend, and also has positive development conditions.

With the outbreak of market demand for intelligent automation, our company has won the favor of heavyweight enterprises in different fields for large-scale alliance and cooperation, which is promising

A. Research and development

The Company is constantly committed to the research and development of innovative and diversified products, and cooperates with legal person research institutions and academic institutions to develop advanced process equipment, so as to continuously improve its own technical capabilities, and its research and development capabilities are highly recognized by all sectors of industry, government, academia and research.

In addition to accumulating complete core technologies and integrated application capabilities, which can serve as a strong backing for the company's continuous expansion, in recent years, it has successively completed many international technical cooperation cases, and by introducing world-class technologies, it will further help the company to carry out international market layout and transformation.

B. Sound quality system

The company has a complete quality system of Q (quality), D (delivery), T (technology), C (cost), S (service) and S (safety), which can provide all-round services and help attract world-class customers to form strategic partners for cooperation. At present, considerable progress has been made in the corporate strategy of "strategic cooperation/cross-domain cooperation and alliance".

C. Strong backup systems

The Company has a long history and good credit status. After years of contacts with outsourcing and material suppliers, both parties have established good supply and demand and cooperative partnership, which is conducive to the expansion of production capacity and stable material supply.

(2) Unfavorable Factors and Countermeasures

- A. Facing the rise and expansion of the panel industry in mainland China, the mainland government actively promoted the localization of its equipment, and the company gradually

faced strong competition from local equipment. China mainland's greater support for the semiconductor industry has also led to the rapid development of the local equipment industry. Local equipment manufacturers compete for the market with low prices, resulting in a competitive relationship with each other. Countermeasures:

- (A) Continue to strengthen its own product technology, strengthen intellectual property patent application, and cooperate with the introduction of foreign advanced technology to upgrade the product level and get rid of low-price competition.
- (B) Enhance the mainland operating resources, enhance the design and manufacturing capabilities of mainland subsidiaries, and expand the competitiveness of the mainland market. Some equipment are localized, and local resources are integrated to control costs and strengthen local services in China mainland.
- (C) Alliance with the local equipment factory in China mainland, not only consolidate the business opportunities of products, but also cooperate to promote the products with high additional price to mainland customers.
- (D) Make full use of the local equipment supply chain in China mainland, and integrate QDTCSS energy, which is good at the company, to provide customers with more value-added services and create a win-win situation.
- (E) Close to customers and quick response are the key factors for us to effectively cut into customers' new process development. On this premise, we can continue to innovate and grow with customers. However, in the situation of limited resources and rapid market evolution, mature products and new R&D equipment should be carefully selected in terms of capital and manpower.
- (F) With core technology as the base, in line with industry trends, we will invest in new product research and development, and expand industrial applications, including memory, 5G, AI, Mini/MicroLED, etc., so as to expand market demand on the market supply side.

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

Countermeasures:

- (A) Cutting into FPD industry high value-added front-end cleaning, wet etching, and testing equipment.
- (B) Grasp the business opportunities of existing equipment renovation of FPD customers, expand integration and promote value-added services of After market.
- (C) Develop different industries, such as semiconductors, intelligent manufacturing, etc. and distribute them to the south market.
- (D) Continue to carry out innovative operations of strategic alliance, technology transfer cooperation and cross-domain integration.

2.2 Main usage and Production Process of the Primary Products

1. Main usage

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

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

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

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

2.3 State of Supply of Main Materials

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

Mechanical Component

(1) Functional Machine Component

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

(2) Standard Mechanical Parts

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

(3) Software such as Computer and Human Machine Interface

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

(4) Various signal transmitting and control components

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

(5) Electric and transmitting components

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

2.4 Key Supplies & Customers

2.4.1. Key Suppliers

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

Unit: NT\$ Thousands / %

2019				2020			
Supplier	Procurement Amount	As % of 2016 Total Net Purchase	Relation	Supplier	Procurement Amount	As % of 2017 Total Net Purchase	Relation
Others	2,223,919	100.00%	—	Others	1,946,208	100.00%	—
Total Net Procurement	2,223,919	100.00%		Total Net Procurement	1,946,208	100.00%	

2.4.2. Key Customers

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

Unit: NT\$ Thousands / %

2019				2020		
Customer	Net Revenue	As % of 2017 Total Net Revenue	Relation	Net Revenue	As % of 2018 Total Net Revenue	Relation
Customer J	1,017,072	24.01%	—	388,525	11.23%	—
Customer B	528,482	12.48%	—	242,177	7.00%	—
Customer F	436,526	10.31%	—	111,577	3.22%	—
Customer E	83,776	1.98%	—	366,886	10.60%	—
Others	2,170,159			2,351,226		
Total Net Revenue	4,236,015			3,460,391		

2.5 Production Volume and Value in the Past Two Years

Unit: pieces / NT\$ Thousands

Output Major Products (or by department)	2019			2020		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Display Process Equipment	Not applicable	201	2,388,117	Not applicable	189	1,418,313
Semiconductor Process Equipment		1,816	478,169		1,888	1,065,828
Intelligent Automation Equipment		260	111,176		685	422,710
Others		13	821,071		21	472,673
Total		31,615	3,798,533		3,502	3,379,524

2.6 Sales Volume and Value in the Past Two Years

Unit: pieces / NT\$ Thousands

Shipments & Sales Major Products (or by departments)	2019		2020		2019		2020	
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Display Process Equipment	34	450,900	88	2,357,268	21	158,900	89	1,322,827
Semiconductor Process Equipment	200	594,114	623	279,926	267	598,770	586	447,608
Intelligent Automation Equipment	1	1,920	77	83,776	32	33,283	384	384,802
Display Process Equipment	1	312,341	3	155,770	0	333,445	1	180,756
Total	236	1,359,275	791	2,876,740	320	1,124,398	1,060	2,335,993

3. Human Capital

Year		2019	2020	As of March 31, 2021
Number of Employees	Indirect Labor	351	370	376
	Direct Labor	465	457	454
	Total	816	827	830
Average Age		38.89	40.07	40.03
Average Years of Service		8.23	9.15	9.06
Education (%)	Ph.D.	0.25%	0.24%	0.12%
	Master's	20.83%	19.83%	19.87%
	Bachelor's	62.62%	64.09%	65.18%
	High School	13.36%	13.30%	12.04%
	Others	2.94%	2.54%	2.77%

4. Expenditure of environmental protection

For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the loss (including compensations and penalties due to the violation of environmental protection laws and regulations discovered through the environmental protection audits. The date and the serial number of the punishment, the title and content of the violated provision, and the punishment shall be specified) and the estimated amounts that occurred or may occur in the future shall be disclosed. If it cannot be reasonably estimated, the fact shall be affirmed.

The Company actively devoted itself into environmental pollution prevention, totaling NT\$1,098 thousand. On an annual basis, a large amount of budget has been spend in improvement of pollution prevention equipment. In terms of effect on environmental climate, more efforts have been put on lowering the emission of greenhouse gas and enhancing the efficiency of energy usage. On top of abiding by domestic regulation, the Company also strives to comply with RoHS related rules and international covenant. In addition to business growth, environmental protection and work security is also its concern.

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

5. Labor relations

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

5.1.1 Employee benefit measures

- (1) Competitive level of remuneration
- (2) In addition to the basic monthly salary, annual bonuses such as Mid-Autumn Festival, Dragon Boat Festival and Spring Festival are also provided. Every year, the company provides domestic and foreign tourism subsidies according to the achievement rate and profitability of operating targets.
- (3) To award outstanding performances for the employees, the Company gives seasonal bonuses, year-end bonuses, and employee remuneration according to the percentage of goals achieved, company profitability and personal performance of employees.
- (4) To boost new ideas among employees, the Company provides innovation research bonus, improvement proposal bonus, special performance team bonus, and special talent bonus to boost employee morale and team work.
- (5) To award the employee's self-improvement, the Company promotes measures such as gives out English and Japanese language certification bonuses, excellent internal educational trainers, and point systems for training courses.
- (6) Three days of paid sick leave per year.
- (7) Childcare measures, childcare and education allowance for the third woman.
- (8) Parking fee subsidy.
- (9) On-the-job training fee subsidy.
- (10) Provide annual free health examination.
- (11) Provide wedding and funeral, childbirth, New Year's Day, birthday gift and consolation money.
- (12) Employees' cafeteria is found in all factories, and meal subsidies are provided to employees.
- (13) Cultural and recreational events are held sporadically.

- (14) Happy Family Day event is held annually.
- (15) Relieve the working environment and activities.
- (16) Perfect Performance Management System

Each manager launches the plan according to the performance indicators. In order to achieve the company's, department's and individual's goals, the performance appraisal of all colleagues is conducted regularly every six months to give guidance and feedback. The human resources unit provides training to enable the supervisor to understand and internalize the importance of the appraisal, and at the same time teaches the supervisor to perform the appraisal and performance interview operations, so as to improve the work performance of the company's colleagues, provide career planning for employees, and formulate a reasonable reward and punishment feedback mechanism.

The assessment results serve as the basis for issuing bonus, salary adjustment, remuneration, promotion, talent training and development plan.

- (17) Implement bus connection in the factory area (reduce commuter traffic and total exhaust, and reduce environmental load).
- (18) Free afternoon tea.
- (19) Fitness centers in each factory.
- (20) Welfare measures provided by employee welfare committee:
 - We offer scholarship and fellowships to employees' children from elementary school to graduate school
 - Through efforts of Fringe Benefit Committee, we offer employees attractive discounts from contracted suppliers
 - We grant gift money in cash to employees on the occasions of marriage, funeral, childbirth, certain national holidays and birthdays (PayEasy points)
 - Club activities
 - Cultural and recreational activities sporadically (movies, Christmas parties, festival activities)
 - Travel activities.

5.1.2 Training

- (1) The Group believes that every colleague is the human asset of the company, and we explore more potential through training. We provide sufficient resources to help colleagues create themselves, create enterprise value and core competitiveness, and promote enterprise development and employee growth to create a win-win situation.
- (2) The Group has formulated the "Education and Training Quality Manual" to give guidelines for the employees. The Company provides education and training subsidies every year to enrich the knowledge and improve the skills of the personnel in the organization and to conserve human resources to achieve the target of organizational performance and enhance the Company's competitiveness. The content is described as below:
 - A. Education and training system: Gallant has established a comprehensive training and development system, formulated clear education and training courses, and arranging the program based on the position and title, so as to conserve human resources, achieve the annual targets and implement established projects.
 - (a) Training courses provided based on the position: we have formulated the classified learning maps based on the level and rank of the supervisors so that the management knowledge training can be provided accordingly. The learning maps designed for management trainees, supervisors, middle managers, and top executives are adopted to ensure all members of management possess sufficient management knowledge and skills.
 - (b) Professional training courses: we have formulated the classified learning maps based

on the required skills and technics, such as RD and design training map, customer service function training map, etc. to ensure all employees possess sufficient knowledge and skills.

- (c) New employee orientation courses: to provide the Company's profile, development history, management regulations, and concepts of occupational safety/hygiene management system.
- (d) Internal lecturer training courses: The administrative unit organizes the internal lecturer training courses according to actual needs so that the staff members with expertise and enthusiasm for teaching can be equipped with teaching skills.
- (e) Self-inspired training courses: aesthetic, art, medical, health, literature, and other Spiritual enrichment courses.

B. Statistics and expenses related to the employee education and training of the Group in 2020:

Education and training	Internal training	External training	Total
Batches	129	140	269
Number of trainees	3,459	218	3,677
Hours	10,085.5	2,032.5	12,118
Expenses (NT\$ thousands)	\$761	\$142	903

5.1.3 Retirement Policy

- (1) The Company provides Labor Insurance, National Health Insurance, group insurance, and group overseas business travel insurance in response to the demands from our colleagues when visiting hospitals while on business trips overseas. The Company aims to provide full range of insurances for the employees.
- (2) Retirement systems and its status of implementation: The retirement systems of the Company and its subsidiaries are operated pursuant to relevant laws and regulations of their respective countries they are located.

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

- (A) Labor Pension Act are applied to all employees who started their employment on or after July 1, 2005.
- (B) For employees who started their employment before July 1, 2005, they may make their choice from the pension systems in either Labor Pension Act or Labor Standards Act within five year beginning from July 1, 2005. If employees do not make any choices regarding the pension system, after the window is closed, their pension will continue to be mandated by Labor Standards Act.
- (C) Employees who is under any one of the following conditions may apply for voluntary retirement:
 - Where the employee attains the age of fifty-five and has worked for fifteen years.
 - Where the employee has worked for more than twenty-five years.
 - Where the employee attains the age of sixty and has worked for ten years.
- (D) Standard for paying pension:
 - Based on the employee's year of service rendered, two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given

for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months.

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

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

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

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

5.1.4 Negotiation between employer and employees and other employee rights:

- (1) The Company puts a lot of efforts in labor-management relationship and adheres to Labor Law and related regulations. For the past years, the Company has built harmonized labor-management relationship. There is no dispute between the labor and the management.
- (2) The Company values the rights and future developments of our employees, and therefore we have established an Employee Welfare Committee to offer them with various fringe benefits. The Company has established "The Handbook of Educational Training Quality" and encourage employees to participate in various training. The Company also sets up pension system in accordance with law, build communicating channel between labor and management and disclose welfare measures, learning and development, employees communicating and balanced life in the Company's website.

5.1.5 Commitment to Social Responsibility

- (1) The Company abides by the rules, policies, and procedures of the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees. The Company provides labor insurance, National Health Insurance (NHI), life insurance, accident insurance, disease and cancer insurance and set up pension fund.
- (2) Labor-Management Relationship and benign communicating channel
The employees and corporate representative of GPM have mutually participation in discussing on various issues in order to maintain a benign communicating mechanism. The labor-management conference are convened regularly. The employees are able to make proposal to the management team so as to facilitate their understand employee's mind. Also, the Company has an effective and rapid channel to promote new and rapid promotion of the Company's policy and message. The question and suggestion raised by the employees will be track and feedback.
 - We have set up the "General Manager Office's Mailbox" and have assigned special personnel to assemble and respond to the voices from employees.

- On a quarterly basis, we sponsor the “Employees’ Conference” through which employees are given the chance and encouraged to speak up their opinions which are taken as a precious reference for the Company for better performance.
 - On a quarterly basis, we sponsor the “labor-management conference” as another good bridge to harmonize the labor-capital relationship. The labor-management conference convened on a regular basis is very conducive to the management to hear firsthand opinions from employees.
 - For each and every factory region, we have assigned staff members to specifically take charge of labor relationships to render help to employees and hear the firsthand voices from them on a face-to-face basis.
 - We sponsor “employee symposiums” from time to time on a nonscheduled basis. The General Manager participates in that event in person to listen to what the employees have in mind.
 - On a regular basis, we conduct “Employee Satisfaction Surveys” which proves to be another handy channel for the Company’s management to hear from all employees.
- (3) When there is any significant changes in operations that may have an impact on the employees' rights, the Company uses formal communicating channel such as employee symposium or labor-management conference to negotiate with employees in a hope to provide the best working environment for all the employees.
- (4) For the safety of production environment and personnel, the Company set up designated HSE department and personnel in charge of HSE affairs. In terms of working environment, the Company continues to examine the operating environment biannually so as to evaluate personnel exposure and improve the working environment accordingly.
- (5) The Company has created benign environment for employees' careers and established career development and training sessions.
- (6) Awards in 2020
- Won CSR Excellence in Cooperate Social Responsibility Reward - Little Giant Group
 - Won Super Excellence Reward Evaluated by Excellent Business Unit of “Promote Affirmative Right in Workplace” of Central Taiwan Science Park
 - Won Authentication of Enterprises Love Sports of Sports Administration (isport)
 - 2020 Occupational Safety and Health Excellent Unit of Central Taiwan Science Park Administration
 - 2020 Promoting Occupational Safety and Health Excellent Unit of Hsinchu Science Park Administration
 - Won “Promote Environment and Friendly Enterprise - Environmental Protection Convoy Authentication” of Hsinchu County Environmental Protection Bureau
 - Won Four-Star Reward Evaluated by Taichung “Happy Workplace” of Labor Affairs Bureau of Taichung City
 - Won “Excellent Healthy Work Place - Health Management Reward” of Health Promotion Administration, MOHW

5.2 For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, loss from labor-management dispute and disclosure of possible loss amount and mitigation efforts (including the violation of the Labor Standards Act discovered through the labor inspections. The date and the serial number of the punishment, the title and content of the violated provision, and the punishment shall be specified) and the estimated

amounts that occurred or may occur in the future. If it cannot be reasonably estimated, the fact shall be affirmed: None.

6. Material Contracts

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

Nature of Contract	Contracting Parties	Contract Start/End Date	Main Content	Restrictive Provisions
Technology Transfer Contract	MICRONICS JAPANCO., LTD.	From March 12, 2015	Transfer of Technology	Data related to Transfer of Technology Contract shall not be re-authorized or transferred to third party.
Technology Cooperation Contract	Sumitomo Precision Products CO.,LTD.	Ten years, Starting from September 9, 2016	Technical Cooperation	If no termination request being proposed upon due, the contract will be renewed.
Technology Licensing and Mutual Development Agreement	International Business Machines Corporation.	Starting from November 3, 2016	Technology Licensing and Mutual Development	If no significant violation, the contract remains valid indefinitely.
Lease Agreement	Central Taiwan Science Park Bureau	September 17, 2005 to December 31, 2024	Factory Lease Agreement with Central Taiwan Science Park	None
Lease Agreement	Hsinchu Science Park Bureau	August 1, 2016 to July 31, 2036	Factory Lease Agreement with Hsinchu Science Park	None
Long-term Borrowing	CTBC Bank Co., Ltd.	September 29, 2020 to September 29, 2022	Collateral loan of Factory in Central Taiwan Science Park	Note
Long-term Borrowing	Cathay United Bank	July 31, 2008 to July 31, 2023	Collateral loan of Factory in Hsinchu Taiwan Science Park	None
Note: (1) current ratio: Higher than (including) 120% (2) Financial Debt ration: No higher than 80% (3) Tangible Net Value: No less than NT\$ 2.1 billion				

VI. Financial Highlights and Analysis

1. Condensed Balance Sheets and Condensed Statements of Comprehensive Income from 2016 to 2020

1.1 International Financial Reporting Standard.

1.1.1 Consolidated Condensed Balance Sheets - GPM & Subsidiaries

Unit : NT\$ Thousands

Year		2016	2017	2018	2019	2020
Item						
Current assets		5,272,765	5,254,391	5,556,032	5,304,587	4,797,281
Property, plant and equipment		478,669	624,659	622,497	588,628	720,976
Intangible assets		122,286	96,768	65,961		20,536
Other assets		376,494	248,888	276,706	534,953	557,277
Total assets		6,250,214	6,224,706	6,521,196	6,453,860	6,096,070
Current liabilities	Before distribution	3,208,291	3,164,925	3,027,527	2,807,895	2,902,762
	After distribution	3,505,537	3,365,891	3,242,204	3,055,599	(Note)
Non-current liabilities		434,540	519,074	633,138	825,529	521,349
Total liabilities	Before distribution	3,642,831	3,683,999	3,660,665	3,633,424	3,424,111
	After distribution	3,940,077	3,884,965	3,875,342	3,881,128	(Note)
Equity attributable to owners of the parent		2,328,515	2,218,042	2,417,626	2,386,653	2,217,221
Share capital		1,651,361	1,651,361	1,651,361	1,651,361	1,651,361
Capital surplus	Before distribution	242,949	186,765	199,091	199,091	187,088
	After distribution	176,894	186,765	199,091	199,091	(Note)
Retained earnings	Before distribution	479,387	442,995	599,645	632,606	535,543
	After distribution	248,196	242,029	384,968	384,902	(Note)
Other equity		(45,182)	(63,079)	(32,471)	(96,405)	(48,346)
Treasury shares		—	—	—	—	—
Non-controlling interests		278,868	322,665	442,905	433,783	454,738
Total equity	Before distribution	2,607,383	2,540,707	2,860,531	2,820,436	2,671,959
	After distribution	2,310,137	2,339,741	2,645,854	2,572,732	(Note)

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

1.1.2 Consolidated Condensed Statements of Comprehensive Income -GPM & Subsidiaries

Unit : NT\$ Thousands

Item \ Year	2016	2017	2018	2019	2020
Operating revenue	3,666,700	4,839,887	4,873,153	4,236,015	3,460,391
Gross profit	1,088,610	1,312,350	1,286,332	1,230,621	820,423
Operating income	307,032	465,799	433,227	359,126	77,609
Non-operating income and expenses	75,890	(127,486)	58,846	1,123	128,153
Income before income tax	382,922	338,313	492,073	360,249	205,762
Net profit(Loss)from continuing operations	299,059	230,681	406,267	289,906	160,618
Net profit(Loss)from close operations	—	—	—	—	—
Net profit (Loss)	299,059	230,681	406,267	289,906	160,618
Other comprehensive income, net of income tax	(96,545)	(24,861)	(28,394)	(66,121)	70,227
Total comprehensive income	202,514	205,820	377,873	223,785	230,845
Profit(Loss) attributable to owners of parent	260,709	200,252	370,105	249,158	149,511
Profit(Loss) attributable to non-controlling interests	38,350	30,429	36,162	40,748	11,107
Comprehensive income attributable to owners of parent	179,570	176,902	345,936	183,704	198,700
Comprehensive income attributable to non-controlling interests	22,944	28,918	31,937	40,081	32,145
Earnings per share (Note)	1.58	1.21	2.24	1.51	0.93

Note : Earning per share of year 2020 is Pending on approval of shareholders at Annual General Shareholders' Meeting.

1.1.3 Consolidated Condensed Balance Sheets - Parent Company

Unit : NT\$ Thousands

Y e a r		2016	2017	2018	2019	2020
Item						
Current assets		3,330,084	3,197,393	3,481,176	3,362,942	2,651,056
Property, plant and equipment		431,180	418,710	412,781	399,051	391,307
Intangible assets		114,289	85,178	48,567	13,664	10,521
Other assets		1,654,851	1,417,386	1,348,542	1,519,061	1,510,550
Total assets		5,530,404	5,118,667	5,291,066	5,294,718	4,563,434
Current liabilities	Before distribution	2,860,897	2,590,060	2,428,187	2,277,795	2,115,889
	After distribution	3,158,143	2,791,026	2,642,864	2,525,499	(Note)
Non-current liabilities		340,992	310,565	445,253	630,270	230,324
Total liabilities	Before distribution	3,201,889	2,900,625	2,873,440	2,908,065	2,346,213
	After distribution	3,499,135	3,101,591	3,088,117	3,155,769	(Note)
Equity attributable to owners of the parent		2,328,515	2,218,042	2,417,626	2,386,653	2,217,221
Share capital		1,651,361	1,651,361	1,651,361	1,651,361	1,651,361
Capital surplus	Before distribution	242,949	186,765	199,091	199,091	187,088
	After distribution	176,894	186,765	199,091	199,091	(Note)
Retained earnings	Before distribution	479,387	442,995	599,645	632,606	535,543
	After distribution	248,196	242,029	384,968	384,902	(Note)
Other equity		(45,182)	(63,079)	(32,471)	(96,405)	(48,346)
Treasury shares		—	—	—	—	(108,425)
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	2,328,515	2,218,042	2,417,626	2,386,653	2,217,221
	After distribution	2,031,269	2,017,076	2,202,949	2,138,949	(Note)

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

1.1.4 Condensed Statements of Comprehensive Income-Parent Company

Unit : NT\$ Thousands

Item	Year				
	2016	2017	2018	2019	2020
Operating revenue	2,596,175	3,771,317	3,827,468	3,335,058	2,453,801
Gross profit	725,343	983,958	917,237	860,415	486,886
Operating income	233,933	420,729	340,233	226,162	56,911
Non-operating income and expenses	67,414	(151,465)	73,320	58,448	104,815
Income before income tax	301,347	269,264	413,553	284,610	161,726
Net profit(Loss)from continuing operations	260,709	200,252	370,105	249,158	149,511
Net profit(Loss)from close operations	—	—	—	—	—
Net profit (Loss)	260,709	200,252	370,105	249,158	149,511
Other comprehensive income, net of income tax	(81,139)	(23,350)	(24,169)	(65,454)	49,189
Total comprehensive income	179,570	176,902	345,936	183,704	198,700
Profit(Loss) attributable to owners of parent	—	—	—	—	—
Profit(Loss) attributable to non-controlling interests	—	—	—	—	—
Comprehensive income attributable to owners of parent	—	—	—	—	—
Comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (Note)	1.58	1.21	2.24	1.51	0.93

Note : Earning per share of year 2020 is Pending on approval of shareholders at Annual General Shareholders' Meeting.

1.2 Auditors' Opinions from 2016 to 2020

Year	CPA	Audit Opinion	Remark
2020	Li Tien Yi 、 Chiang, Tsai-Yen	Unqualified Opinions	
2019	Li Tien Yi 、 Kwok-Ah Tsang	Unqualified Opinions	
2018	Kwok-Ah Tsang 、 Li Tien Yi	Unqualified Opinions	
2017	Li Tien Yi 、 Cheng Ya Huei	Unqualified Opinions	
2016	Li Tien Yi 、 Cheng Ya Huei	Unqualified Opinion	

2. Financial Analysis from 2016 to 2020

2.1. Consolidated Financial Analysis –GPM & Subsidiaries

Unit : NT\$ Thousands

Year (Note 1) Item		Financial Analysis from 2016 to 2020				
		2016	2017	2018	2019	2020
Capital structure analysis	Debt ratio (%)	58.28	58.99	56.13	56.29	56.16
	Long-term fund to property, plant and equipment ratio (%)	609.53	469.43	535.58	556.19	388.36
Liquidity analysis	Current ratio (%)	164.34	166.01	183.51	188.91	165.26
	Quick ratio (%)	124.97	115.67	141.4	153.71	133.52
	Times interest earned (Times)	32.03	20.3	24.47	10.8	8.01
Operating performance analysis	Average collection turnover (Times)	2.03	2.67	2.6	1.87	1.59
	Days sales outstanding	179.80	136.70	140.38	195.18	229.55
	Average inventory turnover (Times)	2.64	2.46	2.33	2.39	2.49
	Average payment turnover (Times)	2.16	2.69	2.18	2.32	2.48
	Average inventory turnover days	138.25	148.37	156.65	152.71	146.58
	Property, plant and equipment turnover (Times)	7.50	8.77	7.81	6.99	5.28
	Total assets turnover (Times)	0.65	0.77	0.76	0.65	0.55
Profitability analysis	Return on total assets (%)	5.56	3.93	6.66	4.91	2.89
	Return on equity attributable to owners of the parent (%)	11.55	8.96	15.04	10.2	5.84
	Pre-tax income to paid-in capital (%)	23.18	20.48	29.79	21.81	12.46
	Net margin (%)	8.15	4.76	8.33	6.84	4.64
	Earnings per share (NT\$)	1.58	1.21	2.24	1.51	0.93
Cash flow	Cash flow ratio (%)	19.14	8.54	6.79	—	48.7
	Cash flow adequacy ratio (%)	130.45	72.83	52.06	31.19	87.1
	Cash flow reinvestment ratio (%)	14.48	—	0.14	—	36.48
Leverage	Operating leverage	1.18	1.17	1.38	1.33	2.25
	Financial leverage	1.04	1.04	1.05	1.11	1.51

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

1. Long-term fund to property, plant and equipment ratio: It is due to the decrease in the ong-term loans of in 2020.
2. Times interest earned: It is due to the decrease in the pre-tax income of in 2020 compared with that in 2019.
3. Property, plant and equipment turnover: mainly due to decrease in sales revenue in 2020.
4. Return on total assets, return on equity attributable to owners of the parent, pre-tax income to paid-in capital, net margin, earnings per share: It is due to a decrease in the net income of in 2020 compared with that in the previous period.
5. Cash flow adequacy ratio: It is due to the better collection of receivables in 2020 and the net cash inflow of operating activities, the ratio has significantly increased compared with that in the previous period.
6. Operating leverage, financial leverage: It is due to the decrease in the operating income of in 2020 compared with that in 2019.

2.2 Financial Analysis – Parent Company

Year (Note 1)		Financial Analysis from 2016 to 2020				
		2016	2017	2018	2019	2020
Item						
Capital structure analysis	Debt ratio (%)	57.89	56.66	54.30	54.92	51.41
	Long-term fund to property, plant and equipment ratio (%)	605.03	590.00	677.60	691.13	566.61
Liquidity analysis	Current ratio (%)	116.39	123.44	143.36	147.64	125.29
	Quick ratio (%)	81.74	72.94	102.93	115.42	97.18
	Times interest earned (Times)	27.44	19.07	26.7	10.15	8.48
Operating performance analysis	Average collection turnover (Times)	2.03	2.78	2.65	1.77	1.37
	Days sales outstanding	179.80	131.29	137.73	206.21	266.42
	Average inventory turnover (Times)	2.77	2.47	2.43	2.75	2.99
	Average payment turnover (Times)	1.83	1.99	2.05	2.14	2.3
	Average inventory turnover days	131.76	147.77	150.2	132.72	122.07
	Property, plant and equipment turnover (Times)	5.92	8.87	9.2	8.21	6.2
	Total assets turnover (Times)	0.53	0.7	0.73	0.63	0.49
Profitability analysis	Return on total assets (%)	5.59	4.00	7.38	5.16	3.33
	Return on equity attributable to owners of the parent (%)	11.22	8.80	15.96	10.37	6.49
	Pre-tax income to paid-in capital (%)	18.24	16.30	25.04	17.23	9.79
	Net margin (%)	10.04	5.30	9.66	7.47	6.09
	Earnings per share (NT\$)	1.58	1.21	2.24	1.51	0.93
Cash flow	Cash flow ratio (%)	15.91	5.53	5.36	—	59.93
	Cash flow adequacy ratio (%)	120.92	74.37	48.02	10.93	69.87
	Cash flow reinvestment ratio (%)	17.18	—	—	—	43.77
Leverage	Operating leverage	1.13	1.1	1.37	1.17	0.86
	Financial leverage	1.05	1.03	1.05	1.15	1.49

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

1. Times interest earned: It is due to the decrease in the pre-tax income of in 2020 compared with that in 2019.
2. Average collection turnover, days sales outstanding, property, plant and equipment turnover: mainly due to decrease in sales revenue in 2020.
3. Return on total assets, return on equity attributable to owners of the parent, pre-tax income to paid-in capital, net margin, earnings per share: It is due to a decrease in the net income of in 2020 compared with that in the previous period.
4. Cash flow adequacy ratio: It is due to the better collection of receivables in 2020 and the net cash inflow of operating activities, the ratio has significantly increased compared with that in the previous period.
5. Operating leverage, financial leverage: It is due to the decrease in the operating income of in 2020 compared with that in 2019.

Note 1 : Financial analysis formula:

1. Capital Structure Analysis:

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

2. Liquidity Analysis:

- (1). Current ratio = Current assets / Current liabilities
- (2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

- (1). Average collection turnover(includes account receivable and note receivable due to operating generated) = Net sales / Average account receivables(includes account receivable and note receivable due to operating generated).
- (2). Days sales outstanding = 365 / Average collection turnover
- (3). Average inventory turnover = Operating costs / Average inventory
- (4). Average payment turnover(includes account payable and note payable due to operating generated). = operating costs / Average account payables(includes account payable and note payable due to operating generated).
- (5). Average inventory turnover days = 365 / Average inventory turnover
- (6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7). Total assets turnover = Net sales / Average total assets

4. Profitability Analysis:

- (1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
- (2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3). Net margin = Net income / Net sales
- (4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

- (1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

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

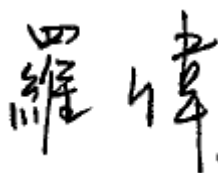
3.Audit Committee's Review Report

Gallant Precision Machining Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of LI TIEN YI & Chiang, Tsai-Yen was retained to audit GPM's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Gallant Precision Machining Co., Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Chairman of Audit Committee :



March 16 , 2021

4. Consolidated Financial Statements and Independent Auditors' Report along with Parent Company Only Financial Statements and Independent Auditors' Report

Please refer to Annual Report page 111 to page 268

5. Financial Difficulties:

The Company should disclose the financial impact to the Company and its affiliated companies have incurred any financial or cash flow difficulties from Jan. 1, 2020 through until April. 12, 2021 : None.

VII. Financial Status and Risk

1. Financial Status

Consolidated Report :

Unit: NT\$ Thousands

Item	Year	2020	2019	Change	
				Amount	% of Change
Current Assets		4,797,281	5,304,587	(507,306)	(9.56)
Property, Plant and Equipment		720,976	588,628	132,348	22.48
Intangible Assets		20,536	25,692	(5,156)	(20.07)
Other Assets		557,277	534,953	22,324	4.17
Total Assets		6,096,070	6,453,860	(357,790)	(5.54)
Current Liabilities		2,902,762	2,807,895	94,867	3.38
Non-current Liabilities		521,349	825,529	(304,180)	(36.85)
Total Liabilities		3,424,111	3,633,424	(209,313)	(5.76)
Common Stock		1,651,361	1,651,361	0	0
Capital Surplus		187,088	199,091	(12,003)	(6.03)
Retained Earnings		535,543	632,606	(97,063)	(15.34)
Other Equity		(48,346)	(96,405)	48,059	49.85
Treasury stocks		(108,425)	—	(108,425)	—
Equity attributable to owners of the parent		2,217,221	2,386,653	(169,432)	(7.10)
Non-controlling Interest		454,738	433,783	20,955	4.83
Total Equity		2,671,959	2,820,436	(148,477)	(5.26)

Main reasons and impacts of significant changes in assets, liabilities and shareholders' equity in the last two years:

1. The increase of property, plant and equipment is mainly caused by the increase of subsidiary UTRON due to business combination.
2. The decrease in intangible assets is mainly due to the decrease in the amortization of grant funds.
3. The decrease of non-current liabilities is mainly due to the repayment of long-term loans in 2020.
4. The increase in other interests is mainly due to the increase in the exchange difference between the non-current evaluation of financial assets measured at fair value through other comprehensive gains and losses and the translation of financial statements of foreign operating institutions in 2020.
5. The increase of treasury stocks is mainly due to the fact that the treasury stocks were bought back by Gallant in 2020.

2. Operating Results

Consolidated Report :

2.1 For the past two years, the main reason that caused the significant changes in operating revenue, operating income and income before tax and its impacts:

Unit: NT\$ Thousands

Item	Year	2020	2019	Change	% of Change
		Amount	Amount		
Net Sales		3,460,391	4,236,015	(775,624)	(18.31)
Gross Profit		820,423	1,230,621	(410,198)	(33.33)
Operating Income		77,609	359,126	(281,517)	(78.39)
Non-Operating Income and Expenses		128,153	1,123	127,030	11,311.67
Net Income before Income Tax		205,762	360,249	(154,487)	(42.88)
Net profit(Loss)from continuing operations		160,618	289,906	(129,288)	(44.60)
Net profit(Loss)from close operations		-	-	-	-
Net Income		160,618	289,906	(129,288)	(44.60)
Other Comprehensive Income, net of tax		70,227	(66,121)	136,348	206.21
Total Comprehensive Income		230,845	223,785	7,060	3.15
Profit(Loss) attributable to owners of parent		149,511	249,158	(99,647)	(39.99)
Profit(Loss) attributable to non-controlling interests		11,107	40,748	(29,641)	(72.74)
Comprehensive income attributable to owners of parent		198,700	183,704	14,996	8.16
Comprehensive income attributable to non-controlling interests		32,145	40,081	(7,936)	(19.80)
Earnings per share		0.93	1.51	(0.58)	(38.41)

Main reasons for significant changes in operating income, operating profit and loss and net profit before tax in the last two years:

1. Operating gross profit, operating profit and loss, net profit before tax, current net profit of continuing business units, current net profit (loss), net profit attributable to owners of parent company, and decrease in earnings per share: mainly due to decrease in sales revenue and low gross profit margin in 2020.
2. Increase in non-operating income and expenditure: mainly due to the increase in government subsidies for epidemic impact in 2020.
3. The decrease in net profit attributable to non-controlling interests is mainly due to the decrease in net profit of the recognized subsidiaries in China in 2020 compared with that in 2019.
4. The increase in other comprehensive gains and losses (net after tax) in the current period: it's mainly due to the increase in the 2020 accumulated translation adjustments and the unrealized gains and losses of financial assets measured at fair value through other comprehensive gains and losses compared with the previous period.

2.2 The expectation on sales volume and basis forming the expectation, the impacts on the Company's financial condition and business and the mitigation efforts:

Unit: Sets

Main Products	2021budget
Display Process Equipment	235
Semiconductor Process Equipment	281
Intelligent automation equipment	481
Other Equipment	104

Note: The forecast is based on the customers' forecast and taking into account the market conditions. The aforementioned estimated quantity does not include others and parts.

3. Cash Flow

Unit: NT\$ Thousands

Cash Balance Dec. 31, 2020	Net Cash Provided by Operating Activities in 2020	Net Cash Inflows from Investing Activities in 2020	Net Cash Outflows from Financing Activities in 2020	mpact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2020
929,712	1,413,656	104,438	(870,643)	6,906	1,584,069

3.1 Analysis of the Change in Cash Flow in 2020

1. Operating activities: cash inflow from operating activities in 2020 due to decrease of accounts receivable and inventory and increase of accounts payable in 2020.
2. Investment activities: mainly due to the disposition of financial assets measured at amortized cost.
3. Fund-raising activities: mainly due to buying back the stocks of Gallant Treasury and repaying the bank loans.

3.2 Remedial Actions for Cash Shortfall :

The company has ample cash on-hand; remedial actions are not required.

3.3 Cash Flow Projection for Next Year :

1. Fund-raising activities was NT\$400,134,000: mainly due to buying back the stocks of Gallant Treasury and repaying the bank loans.
2. The cash inflow from investment activities was NT\$ 202,955,000: mainly due to the liquidation and repatriation of investment funds from subsidiaries.
3. The cash outflow from fund-raising activities was NT\$ 188,000,000: mainly caused by the repayment of bank loans.

4. Major Capital Expenditure

4.1 Major Capital Expenditure and Sources of Funding : Not applicable.

5. Investment Policies :

5.1 Latest investment policy, major causes of profits and losses and improvement, and future plan for the next year (Investment that exceeds 5% of paid-in capital) :

Unit: NT\$ Thousands

Item / Description	Initial Investment amount	Policy	The main reasons for profit/loss	Improvement plan
Gallant Precision Machinery (BVI) Ltd.	660,506	Investment in Gallant Precision Machinery (Xiamen) Co., Ltd.	The losses suffered in the past years are due to the change in the production plan of the main customer AUO, which led to the termination of the investment plan of the Xiamen plant of the Company. The non-operating earnings of the year are the increase in the interest income of time deposits, but the investment in Guoke Junhao recognized as the loss of reinvestment was greater than the interest income, which in turn leads to the loss.	In the process of liquidation
Gallant-Rapid Corporation Limited	459,050	Investment in Gallant Precision Industries (Suzhou) Co., Ltd.	The Company's operating strategy has changed from the original after-sales service base that supports customers in the mainland market, to taking orders, assembly, delivery, and responsible for the production and assembly of the shifted orders, as well as the after-sales service of the mainland customers of the parent. Thanks to the cost control in 2020, the Company earned a profit in the period.	<ol style="list-style-type: none"> 1. Endeavoring to secure the distributing right of the machines manufactured abroad. 2. Strengthening the five major business functions of production, marketing, research and development, and profit, and expanding the research and development, assembly and production of equipment and the production of its spare parts. 3. Engancing the satisfaction of after-sales services provided for mainland customers. 4. Improving the internal process management mechanism.
Gallant Micro. Machining CO., Ltd.	379,182	Production and Sales of Precision Mold and other Parts	Costs and expenses control.	<ol style="list-style-type: none"> 1. Continuing to invest in the product development Rearranging the marketing and product positioning of mainland and Taiwan market

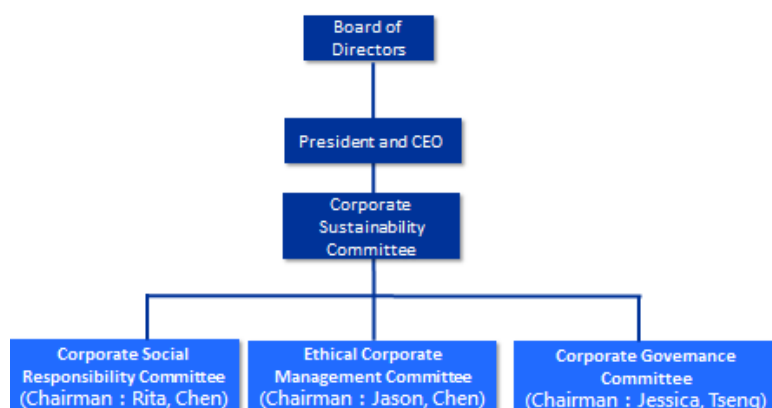
5.2 Investment plan for the next year: There will be no single investment that exceeds 5% of paid-in capital: As a result, this analysis is not applicable.

6. Risk Management

6.1 Risk Management Organizational Chart:

To promote CSR and sustainability, the Company establishes "Corporate Sustainability Committee" in 2016. The Corporate Sustainability Committee is in charge of affairs related to CSR, corporate governance and ethical corporate management policies. The execution and results shall be reported to Board of Directors at least once annually.

The organizational chart of the Company's Corporate Sustainability Committee:



6.2 The Impact and Future Mitigation Efforts to Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

1. In 2020, the GPM Group has interest expense amounting NT\$26,443 thousand which accounts for 0.76% of sales. As a result, the fluctuation of interest rate does not impose significant effect to the Company.
2. In 2020, the GPM Group has exchange loss amounting to NT\$80,717 thousand which accounts for 2.33% of sales. This does not impose significant effect to the Company.
3. For the most recent fiscal year, inflation did not have significant impact on the GPM Group

6.3 The Impact and Future Mitigation Efforts to Risks Associated with High Risk/ High-Leveraged Investment, Lending, Endorsements, and Guarantees for Other Parties, and Financial Derivative Transactions:

To prudently control the financial risk, the Company does not take part in high risk and high leveraged investment. The Company's derivative transaction is not speculative. All the operation is in accordance with GPM's "Procedures for Acquisition or Disposal of Assets". Therefore, the Company does not have significant risk.

The Company stipulates control process such as "Procedures for endorsement and guarantee" and "Procedures for financing". As of March 31, 2021, the Company has provided NT\$154,140 thousand of guarantee to its Affiliates, which does not exceed the limitation.

Depending on subsidiaries operation, the Company will give support.

6.2 Future Research & Development Projects and Corresponding Budget:

The GPM Group R&D plan for the most recent fiscal year can be found on page 67. In 2020, R&D budget is NT\$378,984 thousand. So far the progress of R&D item is in line with R&D plan.

6.3 The Impacts of Changes of Important Domestic and Foreign Policies and Laws on the Company's Finances and Business, and the Countermeasures:

So far, the important policy and amendment of laws or regulations published by the government does not have significant impact on the Company. The GPM Group companies follows rules and regulations published by government, both domestically and internationally. The Company and companies that GPM has invested have personnel collecting the update of policies and laws for the reference of management team.

6.4 Impact of Technological and Market Changes on the Company's Finances and Business and Counter measures:

The GPM Group has designated personnel watch closely on the change of technological and market trend, evaluate the impact on the Company's future development and finance, and take necessary mitigation efforts. In the most recent fiscal year, there is no change of technology and industry that may have significant impact on the Company's finance and business.

6.7 The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

For the past 30 years, the Company believes firmly in "Ethic, Passion, Innovation, Discipline" and "Down-to-Earth, Never give up" and apply this spirit into running business. As a result, the Company duly complies CSR and builds and maintains benign corporate image. Therefore, the Company does not foresee and impacts from the change of corporate image on the enterprise crisis management.

6.8 The Expected Benefit, Risk and Future Mitigation Efforts to Risks Associated with Mergers and Acquisitions: The company does not have a merger and acquisition plan

6.9 The Expected Benefit, Risk and Future Mitigation Efforts to Risks Associated with Facility Expansion: The company does not have a facility expansion plan

6.10 The Risk and Future Mitigation Efforts to Risks Associated with Purchase Concentration and Sales Concentration:

1. Our main materials and outsourcing partners mostly from domestic companies. The supplier are not irreplaceable and plenty of sources of supply. The Company adopts diversified procurement principle and maintains long-tem stable relationship with supplier to minimize the risk of force majeure and shortage of source. As a result, the Company does not have the risk of purchase concentration.
2. In terms of FPD equipment sales, the clients were just a few panel factories. For a panel factory to construct plant, the capital expenditure payment is concentrated and the amount is enormous. This situation could easily lead to sales concentration for an equipment manufacturer. However, domestic clients are slowing down their pace in expansion in recent years. Coupled with GPM's effort of business development in China, the demand from China has increased and catch up with domestic clients. Thus, the sales concentration risk has lowered dramatically.
3. Along with FPD field, GPM group is also actively seeking demands for equipment from other industries, including green energy, electronic component, shoes-making and medical device. The development of equipments includes processing equipment, optical inspection equipment, automation, integration of whole factory and production line. In the future, we can expect that sales customers will be in fair distribution.

6.11 The Effect, Risk and Mitigation Effort to Risks Associated with Sales of Significant Numbers of Shares by Directors and Major Shareholders Who Own 10% or More of the Total Outstanding Shares:

The shareholding transfer is monthly declared to Competent Authority for investors reference. GPM tracks closely the shareholdings variation of directors and shareholders holding more than 10% of the outstanding shares to lower risk and take immediate action. As of now, there is no transfer of shareholding that would have impact on the operation and financial condition of the Company.

6.12 Effects of, Risks and Response to Changes in Management Rights:

The Company does not have change in management rights.

6.13 For any litigious matters, whether the case has been finalized or the still pending, that involves the company and company's directors, supervisors, general managers, person with actual responsibility in the company, and major shareholders holding more than 10% of the company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation involving the company, the annual report shall disclose the facts in dispute, amount in dispute, commencement date of the dispute, main parties involved, and current status of the case as at the date of printing of the report: None.

6.14 Information security risk analysis and response measures

1.Information security

➤Information security policy

For information security, the Company has been committed to improving various internal information security management mechanisms, conducting regular information security campaigns, and organizing employee information security education and training activities.

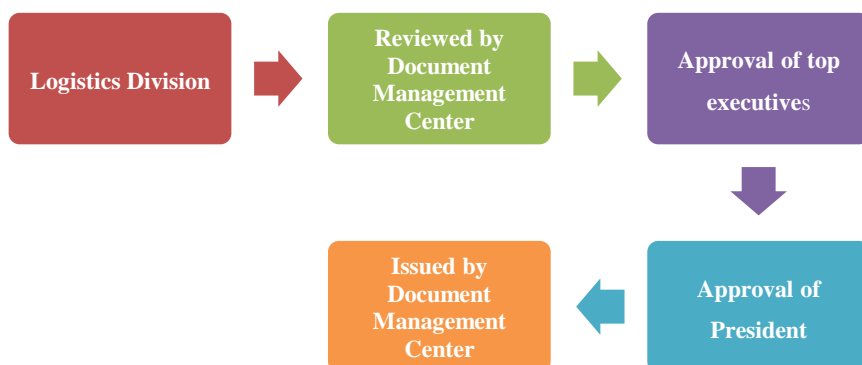
➤Information security governance system

In order to improve information security management, the policies and regulations governing the information security are centralized to the information unit and then submitted for internal electronic approval. Before making a company-wide announcement, the policies and regulations are reviewed by the top executives and general manager and then submitted by the information unit through the internal electronic file system to the Document Management Center for approval.

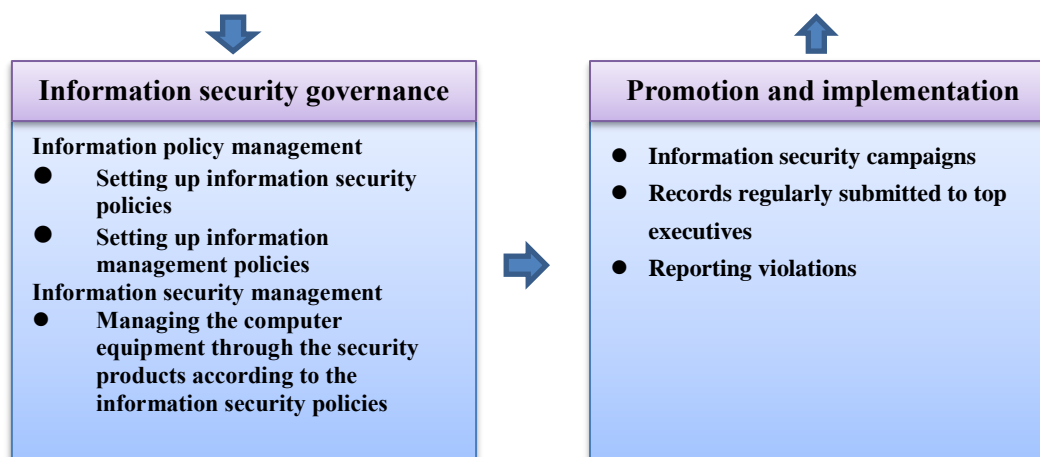
- Procedures for electronic approval system



- Procedures for electronic application



2. Information security operation mode



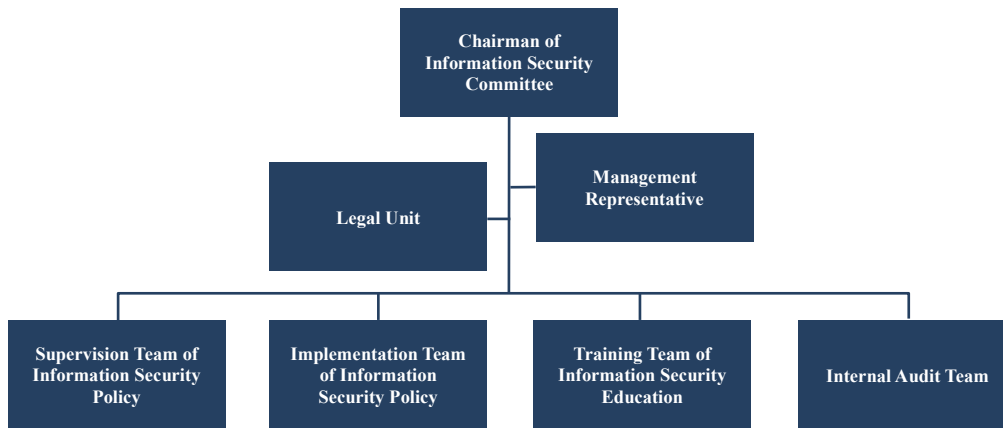
3. Strategies for information security



<u>Strategies for information security</u>		
Information security governance	Improving the management system	Improving the Company's information security management system, including improving the information security education and training provided for employees, updating the computer operating system, filtering malicious emails, and enhancing information security architecture design.
	Improving risk prevention and preventive measures	
Policy compliance	Setting up information security policies	In order to protect the hardware and software equipment of the Company and commercial and confidential data of customers and suppliers, the Company has set up relevant information security policies to provide guidelines for employees.
Utilization of technology	Firewall can put up a defence against the threats	Utilizing various security products (firewall, DLP equipment, network equipment) to monitor the behaviors concerning information security.
	Utilization of security products	
	Log data collection and analysis	

4. Organization of Information Security Committee

In order to maintain and strengthen information security management, and ensure the Confidentiality, Integrity and Availability of its assets and information, the Company established the Information Security Committee on October 26, 2020. The "Information Security Committee" is responsible for implementing all kinds of information security governance, planning, supervision and promotion, and regularly holds management review meetings, which are appropriately revised according to the latest development status of evaluation results, relevant laws and regulations, technology and business, so as to ensure that it meets the actual needs, and regularly reports the information security risk management situation to the Board of Directors every year.



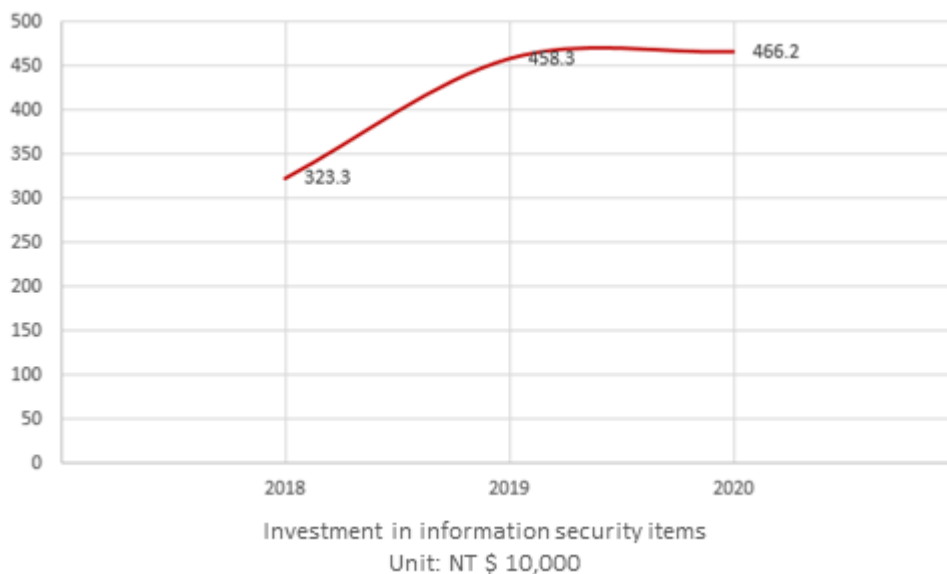
5. Education and training for information security

- Every year, the Company handles information security education and training for employees in Hsinchu Science Park and Central Taiwan Science Park factories, and invites external information security lecturers to come to the factories to explain the invasion and fraud tactics and prevention awareness of external hackers. At the same time, it also publicizes the latest concept of information security for colleagues to reduce risks, hoping to enhance the information security awareness of all employees and protect the rights and interests of the company anytime and anywhere.

6. The Company expects to obtain ISO 27001:2013 ISMS information security management system international certification in 2021.

7. Investment

In order to protect the rights and interests of the Company and mitigate the risk of hacker invasion, the investment of the Company in the information security has significantly increased within the past three years.



6.15 Other material risk and mitigation efforts: None

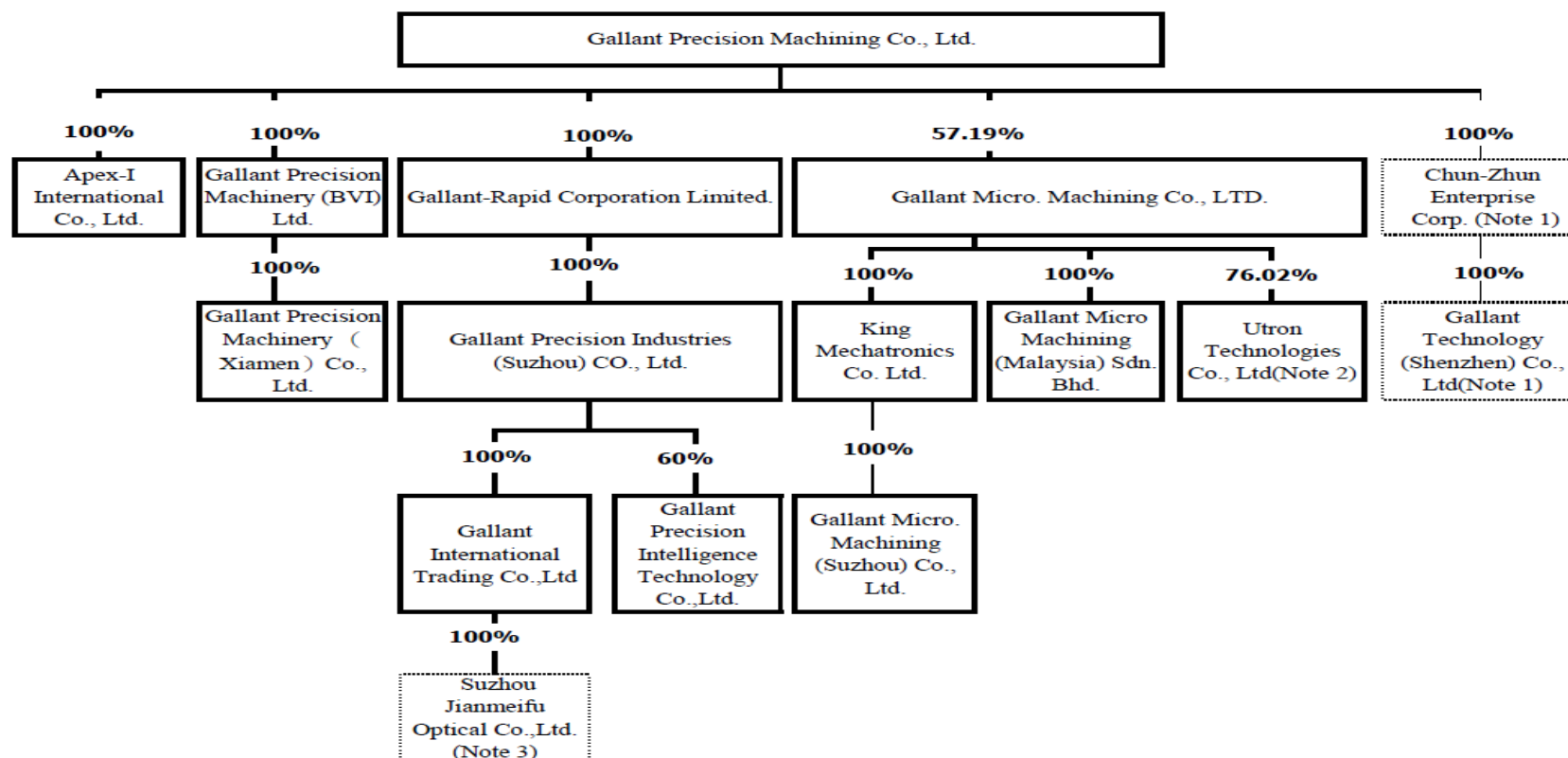
7. Other Material Events: None.

VIII. Other Special Notes

1. Subsidiary Information

1.1 Affiliated Companies Chart

As of Dec. 31, 2020



Note 1: The subsidiary has been completed the dissolution and liquidation procedures in June 30, 2020.

Note 2: The Group acquired share of Utron Technologies Corp in January 2020. As the Group has substantial control over the company, the investment has been included in the consolidated financial statement.

Note 3: The subsidiary has been completed the dissolution and liquidation procedures in October 2020.

1.1.1 GPM Affiliated Companies

As of Dec. 31, 2020. Unit: NT\$ thousand / Foreign Currency thousands

Company Name	Date of Incorporation	Address	Capital Stock	Major Business
APEX-I INTERNATIONAL CO., LTD	2001/04/13	2F.-1, No. 8, Taiyuan 1st St., Zhubei City, Hsinchu County 302082 , Taiwan (R.O.C.)	NTD 66,000	Sale of Machinery Equipment and Parts
Gallant Micro. Machining Co., LTD.	2010/10/15	No.2-1, Minsheng St., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)	NTD 282,765	Production and Sales of Precision Mold and other Parts
Gallant-Rapid Corporation Limited.	2000/06/15	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	USD 13,560	Investment in Gallant Precision Industries (Suzhou) Co., Ltd.
King Mechatronics Co., Ltd.	2001/09/24	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD 2,780	Investment in Gallant Micro. Machining (Suzhou) Co., Ltd.
Gallant Precision Machinery (BVI) Ltd.	2006/09/12	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD 20,289	Investment in Gallant Precision Machinery (Xiamen) Co., Ltd.
Gallant Precision Industries (Suzhou) CO., Ltd.	1995/04/19	1#Building , No.56 Songshan Road , New District , Suzhou , 215151 P.R.C.	USD 9,320	Production of optoelectronic products whole machine equipment, mechatronics equipments, and the manufacturing of its parts and accessories
Gallant Micro. Machining (Suzhou) Co., Ltd.	2003/01/28	No. 5011, Baodai West Road, Jinqiao Development Area, Mudu Town, Wuzhong District, Suzhou City, China	USD 4,550	Production and Sales of Precision Mold and other Parts
Gallant Precision Machinery (Xiamen) Co., Ltd.	2006/12/12	No. 1188, Fangshan South Road, Xiangnan Industry District, Gaoxin District, Huoju, Xiamen, Fujian Province, China	USD 19,100	Production of optoelectronic products machining equipment and related parts and accessories
Gallant Micro Machining (Malaysia) Sdn. Bhd.	1996/10/08	B303-03-11, Krystal Point, Jalan Sultan Azlan Shah, 11900 Penang, Malaysia	MYR 500	The Import/Export and Buy/Sales of Semiconductor Machine and related Components and Parts
Gallant International Trading Co.,Ltd	2012/02/27	Room 501 · No.143 Heshan Road , New District , Suzhou , 215129 P.R.C.	CNY 7,000	Sales of mechatronics equipments
Gallant Precision Intelligence Technology Co.,Ltd.	2017/03/06	1#Building , No.56 Songshan Road , New District , Suzhou , 215151 P.R.C.	CNY 10,000	Optical products whole machine equipment, mechatronics equipments, and the manufacturing of its parts and accessories
Utron Technologies CO., Ltd.	1983/07/21	3F., No. 9, Aly. 8, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City 231622 , Taiwan (R.O.C.)	NTD 35,000	Planning, development, design and manufacturing of electrical logging fixture

1.1.2 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates:

None.

1.1.3 Business of GPM and its Affiliated Enterprises

1. Shareholders in Common of GPM and Its Subsidiaries with Deemed Control and Subordination:
Not applicable.

2. Business Scope of Its Subsidiaries:

- (1) GPM specializes in manufacturing and sales of semiconductor packaging front-end equipment and FPD production process equipment.
- (2) The affiliates involve in industries such as semiconductor packaging equipment, FPD production processing equipment, precision module and parts, production, trading and sales of precision

components. There are also affiliates belong to investment or trading industry.

- (3) The affiliates are aiming at division of capacity, lowering cost, after sales service, product diversification, holding company purpose and operating diversification. For more details, please see Basic Information of Affiliates.

1.1.4 Directors, Supervisors and Presidents of GPM's Affiliated Companies

As of Dec. 31,2020 ; Unit : Thousands shares ; %

Company Name	Title	Name or Representative	Thousand shares	% of Holding
APEX-I INTERNATIONAL CO., LTD	Chairman Director Director Supervisor	Gallant Precision Machining Co., Ltd.(GPM) Rep. : Jason Chen Gallant Precision Machining Co., Ltd. (GPM) Rep. : H.M. Lee Gallant Precision Machining Co., Ltd. (GPM)Rep. : Y.C. Lee Gallant Precision Machining Co., Ltd. (GPM) Rep. : Rita Chen	GPM holds 6,600	100
Gallant Micro. Machining Co., LTD.	Chairman Director Director Independent Director Independent Director Independent Director President	Frank, Liang Gallant Precision Machining Co., Ltd. (GPM) Rep. : Jason Chen Hung-Ming Hsu Jung-Liang Chen Yen-Heng Lin Shingo Shih Bell Chen Hung-Ming Hsu	0 GPM holds 16,172 338 209 0 0 0 338	0 57.19 1.20 0.74 0 0 0 1.20
Gallant-Rapid Corporation Limited	Chairman	Gallant Precision Machining Co., Ltd. (GPM) Rep. : Jason Chen	GPM holds 13,560	100
King Mechatronics Co., Ltd.	Director	Gallant Micro. Machining Co., LTD. (GMM) Rep. : Jung-Liang Chen	GMM holds 2,781	100
Gallant Precision Machinery (BVI) Ltd.	Chairman Director	Gallant Precision Machining Co., Ltd. (GPM) Rep. : Jason Chen	GPM holds 20,289	100
Gallant Micro. Machining (Suzhou) Co., Ltd.	Chairman Director Director Supervisor President	Jung-Liang Che Hung-Ming Hsu Zong Yan Lin Wen Chin Chou Guo Ning Sun	King Mechatronics Co., Ltd. investment US\$2,781	100
Gallant Precision Machinery (Xiamen) Co., Ltd.	Chairman Director Director Supervisor	Jason Chen Nick Yen Mufa Chien Chia-Ju Tseng	Gallant Precision Machinery (BVI) Ltd. investment US\$19,100	100
Gallant Precision Industries (Suzhou) CO., Ltd.	Chairman Director Director Supervisor President	Jason Chen H.M. Lee Chia-Ju Tseng Rita Chen Jason Chen	Gallant-Rapid Corporation Limited. investment US\$13,560	100
Gallant Micro Machining (Malaysia) Sdn. Bhd.	Director Director Director Director	Gallant Micro. Machining Co., LTD.(GMM) Rep. : Hung-Ming Hsu Cin Hua Jhang Huei Ling Liou Guang Rong Deng	GMM holds 500	100
Gallant Precision Intelligence Technology Co.,Ltd.	Chairman Director Director Supervisor President	Jason Chen SHIYI ZHANG Mufa Chien Rita Chen Mufa Chien	Gallant Precision Industries (Suzhou) CO., Ltd. nvestment CNY\$6,000	60
Utron Technologies Co., Ltd.	Chairman Director Director Director Director Supervisor	Gallant Micro. Machining Co., LTD. (GMM) Rep. : Hung-Ming Hsu Guang Ying Li Lian Chun Li Gallant Micro. Machining Co., LTD. (GMM) Rep. : Frank, Liang Gallant Micro. Machining Co., LTD. (GMM) Rep. : Dun Jhieh Shih Ya Wen Ho	2,660 230 26 0 0 0	76.02 6.57 0.74 0 0 0

1.1.5 Summarized Operation Results of Affiliated Enterprises (As of Dec.31, 2020)

Unit: NTS Thousands

Name of Corporation	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income	Net Income	Earning Per Share (NT\$)
Gallant-Rapid Corporation Limited.	459,050	225,958	0	225,958	0	(375)	19,852	
Gallant Precision Industries (Suzhou) CO., Ltd.	179,994	260,241	60,820	199,421	117,973	9,652	20,950	
Gallant International Trading Co.,Ltd	30,639	6,223	0	6,223	0	(81)	(162)	
Apex-I International Co., Ltd.	66,000	79,042	8,621	70,421	43,540	12,011	7,850	1.19
Gallant Micro Machining Co., LTD.	282,765	1,608,160	669,134	939,026	575,015	(3,104)	44,522	1.57
Gallant Micro Machining (Malaysia) Sdn. Bhd.	4,537	2,783	35	2,748	50	(62)	54	
KING MECHATRONICS CO.,LTD	93,144	851,653	45,415	806,238	113,264	(865)	23,297	
Gallant Micro Machining (Suzhou) Co., Ltd.	129,584	863,093	207,592	655,501	301,891	28,847	21,984	
Gallant Precision Machinery (BVI) Ltd.	660,506	382,594	0	382,594	0	(160)	15,038	
Gallant Precision Machinery (Xiamen) Co., Ltd.	543,968	382,562	0	382,562	0	(1,566)	15,205	
Gallant Precision Intelligence Technology Co.,Ltd.	43,770	178,098	85,921	92,177	246,070	12,025	3,253	
Utron Technologies Co., Ltd.	35,000	223,548	157,373	66,175	50,670	(40,844)	(39,329)	(11.24)

Note: The amount of capital, asset, liabilities and net worth in this table were calculated using the exchange rate at end of 2020. The net sales, Income from operation, net income and EPS numbers were calculated using the average exchange rate in 2020.

(1) Exchange rate on 12/31, 2020: USD:NTD=1:29.48 ; RMB:NTD=1:4.377 ; MYR:NTD=1:6.7895

(2) Average exchange rate for 2020: USD:NTD=1:29.5491 ; RMB:NTD=1:4.2816 ; MYR:NTD=1:6.7348

1.2 Independent Auditor's Uni-President and Affiliated Enterprises Consolidated Financial Statements : Please refer to Page 189.

1.8 Affiliation Report: None.

2. Issuance of Private Placement of Securities:

None. (in the most recent fiscal year and up to the issue date of this Annual Report)

3. Holding or Disposition of GPM Stocks by Subsidiaries:

None (in the most recent fiscal year and up to the issue date of this Annual Report)

4. Other Necessary Supplement :None.

IX. Special Notes

Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan : None.

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, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the Other matter section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31 , 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years ended December 31 , 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 「Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020 」 and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits, 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(9) 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 NT570,707 thousand and NT20,708 thousand as of December 31, 2020 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 judgment, 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.

Revenue recognition

Description

Refer to Note 4(20) and Note 6(17) of the parent company only financial statements for accounting policies on revenue recognition and the description of significant accountings – operating revenue.

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 NT0 thousand and NT30,148 thousand, constituting 0% and 1% of the total assets as of December 31, 2020 and 2019, respectively, and its share of the loss amounting to NT(901) thousand and NT(2,811) thousand, constituting (0.45%) and 1.53% of the total

comprehensive income for the years then ended, respectively.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 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 16, 2021

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 756,470	17	\$ 324,483	6
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	120,353	2
1136	Financial assets at amortized cost - current	6(3)	115,655	2	77,885	2
1150	Notes receivable, net	6(4)	10	-	31,568	1
1170	Accounts receivable, net	6(4)	1,166,663	26	2,069,179	39
1180	Accounts receivable - related parties, net	7	10,605	-	-	-
1200	Other receivables		4,300	-	2,500	-
1210	Other receivables - related parties	7	2,725	-	3,132	-
130X	Inventories, net	6(5)	549,999	12	709,817	14
1410	Prepayments		34,783	1	15,897	-
1470	Other current assets		9,846	-	8,128	-
11XX	Current Assets		<u>2,651,056</u>	<u>58</u>	<u>3,362,942</u>	<u>64</u>
Non-current assets						
1535	Financial assets at amortized cost - non-current	6(3) and 8	16,407	-	13,365	-
1550	Investments accounted for using equity method	6(6)	1,221,918	27	1,214,431	23
1600	Property, plant and equipment, net	6(7) and 8	391,307	9	399,051	8
1755	Right-of-use assets	6(8)	206,018	5	214,660	4
1780	Intangible assets, net		10,521	-	13,664	-
1840	Deferred income tax assets	6(24)	62,138	1	73,933	1
1900	Other non-current assets		4,069	-	2,672	-
15XX	Non-current assets		<u>1,912,378</u>	<u>42</u>	<u>1,931,776</u>	<u>36</u>
1XXX	Total assets		<u>\$ 4,563,434</u>	<u>100</u>	<u>\$ 5,294,718</u>	<u>100</u>

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term loans	6(9)	\$ 784,410	17	\$ 918,987	17
2130	Contract liabilities-current	6(17)	205,257	5	107,874	2
2170	Accounts payable	6(10)	793,743	17	843,930	16
2180	Accounts payable - related parties	7	54,503	1	51,201	1
2200	Other payables		172,808	4	206,534	4
2220	Other payables - related parties	7	470	-	-	-
2230	Current income tax liabilities	6(24)	-	-	21,565	1
2250	Provisions for liabilities - current		91,797	2	111,156	2
2280	Lease liabilities-current		4,609	-	4,774	-
2300	Other current liabilities	6 (12)	8,292	-	11,774	-
21XX	Current Liabilities		<u>2,115,889</u>	<u>46</u>	<u>2,277,795</u>	<u>43</u>
Non-current liabilities						
2540	long-term loans	6(11)	-	-	371,330	7
2580	Lease liabilities-non-current		204,420	4	211,428	4
2600	Other non-current liabilities	6(12)	25,904	1	47,512	1
25XX	Non-current liabilities		<u>230,324</u>	<u>5</u>	<u>630,270</u>	<u>12</u>
2XXX	Total Liabilities		<u>2,346,213</u>	<u>51</u>	<u>2,908,065</u>	<u>55</u>
Equity						
Share capital						
3110	Share capital - common stock	6(13)	1,651,361	36	1,651,361	31
Capital surplus						
3200	Capital surplus	6(14)	187,088	4	199,091	4
Retained earnings						
3310	Legal reserve	6(15)	148,486	3	123,722	2
3320	Special reserve		132,987	3	132,987	3
3350	Unappropriated retained earnings		254,070	6	375,897	7
Other equity interest						
3400	Other equity interest	6(16)	(48,346)	(1)	(96,405)	(2)
3500	Treasury share	6(13)	(108,425)	(2)	-	-
3XXX	Total equity		<u>2,217,221</u>	<u>49</u>	<u>2,386,653</u>	<u>45</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 4,563,434</u>	<u>100</u>	<u>\$ 5,294,718</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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Years ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)	\$ 2,453,801	100	\$ 3,335,058	100
5000 Operating costs	6(5)	(1,966,955)	(80)	(2,474,657)	(74)
5900 Operating margin		486,846	20	860,401	26
5910 Unrealized profit from sales		(26)	-	(66)	-
5920 Realized profit from sales		66	-	80	-
5950 Net operating margin		486,886	20	860,415	26
Operating expenses	6(22)(23)				
6100 Selling expenses		(90,059)	(3)	(128,169)	(4)
6200 General and administrative expenses		(141,958)	(6)	(197,869)	(6)
6300 Research and development expenses		(195,020)	(8)	(231,872)	(7)
6450 Expected credit impairment loss (gain)	12(2)	(2,938)	-	(76,343)	(2)
6000 Total operating expenses		(429,975)	(17)	(634,253)	(19)
6900 Operating profit		56,911	3	226,162	7
Non-operating income and expenses					
7100 Interest income	6(18)	1,779	-	1,966	-
7010 Other income	6(19)	114,092	5	35,981	1
7020 Other gains and losses	6(20)	(59,580)	(3)	(15,784)	-
7050 Finance costs	6(21)	(18,731)	(1)	(30,548)	(1)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	67,255	3	66,833	2
7000 Total non-operating income and expenses		104,815	4	58,448	2
7900 Profit before tax		161,726	7	284,610	9
7950 Income tax expense	6(24)	(12,215)	(1)	(35,452)	(1)
8200 Profit for the year		\$ 149,511	6	\$ 249,158	8
Other comprehensive income for the year					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit obligation	6(12)	\$ 1,130	-	(\$ 1,520)	-
8316 Unrealized gains(losses) on investments in equity instruments at fair value through other comprehensive income	6(16)	28,825	1	(38,688)	(1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(16)(24)	108	-	10,168	-
8310 Components that will not be reclassified subsequently to profit or loss:		30,063	1	(30,040)	(1)
Components of other comprehensive income that may be reclassified subsequently to profit or loss					
8361 Cumulative translation differences of foreign operations	6(16)	19,126	1	(35,414)	(1)
8360 Components of other comprehensive income that may be reclassified subsequently to profit or loss		19,126	1	(35,414)	(1)
8300 Other comprehensive income (loss) for the year		\$ 49,189	2	(\$ 65,454)	(2)
8500 Total comprehensive income for the year		\$ 198,700	8	\$ 183,704	6
Basic earnings per share	6(25)				
9750 Basic earnings per share		\$ 0.93		\$ 1.51	
Diluted earnings per share	6(25)				
9850 Diluted earnings per share		\$ 0.92		\$ 1.49	

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other equity		Treasury share	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
For the year ended December 31, 2019									
Balance at January 1, 2019		\$ 1,651,361	\$ 199,091	\$ 86,712	\$ 132,987	\$ 379,946	(\$ 64,286)	\$ 31,815	\$ 2,417,626
Profit for the year		-	-	-	-	249,158	-	-	249,158
Other comprehensive income for the year	6(16)	-	-	-	-	(1,520)	(35,414)	(28,520)	(65,454)
Total comprehensive income for the year		-	-	-	-	247,638	(35,414)	(28,520)	183,704
Distribution of 2018 earnings:	6(15)	-	-	-	-	-	-	-	-
Legal reserve		-	-	37,010	-	(37,010)	-	-	-
Cash dividends		-	-	-	-	(214,677)	-	-	(214,677)
Balance at December 31, 2019		\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 375,897	(\$ 99,700)	\$ 3,295	\$ 2,386,653
For the year ended December 31, 2020									
Balance at January 1, 2020		\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 375,897	(\$ 99,700)	\$ 3,295	\$ 2,386,653
Profit for the year		-	-	-	-	149,511	-	-	149,511
Other comprehensive income for the year	6(16)	-	-	-	-	1,130	19,126	28,933	49,189
Total comprehensive income for the year		-	-	-	-	150,641	19,126	28,933	198,700
Distribution of 2019 earnings:	6(15)	-	-	-	-	-	-	-	-
Legal reserve		-	-	24,764	-	(24,764)	-	-	-
Cash dividends		-	-	-	-	(247,704)	-	-	(247,704)
Recognition of changes in equities of associates	6(6)	-	(12,003)	-	-	-	-	-	(12,003)
Treasure share acquired	6(13)	-	-	-	-	-	-	-	(108,425)
Balance at December 31, 2020		\$ 1,651,361	\$ 187,088	\$ 148,486	\$ 132,987	\$ 254,070	(\$ 80,574)	\$ 32,228	\$ 2,217,221

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the year		\$ 161,726	\$ 284,610
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(22)	22,407	22,903
Amortization	6(22)	12,671	35,495
Net gain on financial assets or liabilities at fair value through profit or loss	6(20)	(60)	(1,207)
Gain on disposal of financial assets at fair value through profit or loss		-	20
Expected credit impairment loss (gain)	12(2)	2,938	76,343
Interest expense	6(21)	18,731	30,548
Interest income	6(18)	(1,779)	(1,966)
Share of profits of associates and joint ventures accounted for using equity method		(67,255)	(66,833)
Impairment loss from non – financial assets	6(20)	-	965
Gain on disposal of investments accounted for using equity method	6(20)	(2,629)	-
Unrealized profits from sales		26	66
Realized profits from sales		(66)	(80)
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		120,413	159,563
Notes receivable		31,558	(31,065)
Accounts receivable		899,578	(727,896)
Accounts receivable - related parties		(10,605)	-
Other receivables		(1,857)	(372)
Other receivables - related parties		407	(1,915)
Inventories		159,818	247,279
Prepayments		(18,886)	2,905
Other current assets		(1,717)	(2,410)
Net changes in liabilities relating to operating activities			
Contract liabilities		97,383	56,786
Accounts payable		(50,187)	(495,053)
Accounts payable - related parties		3,302	51,201
Other payables		(30,401)	(63,412)
Other payables - related parties		470	-
Provisions for liabilities		(19,359)	(38,976)
Unearned receipts		3,597	(1,552)
Other current liabilities		996	(46)
Accrued pension liabilities		(21,672)	(8,096)
Cash generated from operations		1,309,548	(472,195)
Interest received		1,836	2,405
Interest paid		(21,273)	(31,022)
Income tax paid		(21,972)	(39,773)
Income tax prepaid		95	-
Net cash provided by (used in) operating activities		1,268,234	(540,585)

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 40,812)	\$ 94,423
Proceeds from disposal of investments accounted for under equity method	6(6)	31,281	-
Acquisition of property, plant and equipment	6(26)	(9,025)	(3,591)
Acquisition of intangible assets		(9,756)	(1,873)
Refundable deposits refunded (paid)		(1,397)	302
Dividends received from investments accounted for using equity method		<u>67,103</u>	<u>48,515</u>
Net cash provided by (used in) investing activities		<u>37,394</u>	<u>137,776</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(27)	1,983,946	1,864,072
Repayment of short-term loans	6(27)	(2,118,523)	(1,530,206)
Increase in long-term loans	6(27)	-	350,000
Repayment of long-term loans	6(27)	(379,404)	(358,634)
Guarantee deposits received	6(27)	1,194	-
Payment of cash dividends	6(15)	(247,704)	(214,677)
Treasure stock acquired	6(13)	(108,425)	-
Repayment of the principal portion of lease liabilities	6(27)	(4,725)	(4,853)
Net cash provided by (used in) financing activities		<u>(873,641)</u>	<u>105,702</u>
Net increase in cash and cash equivalents		431,987	(297,107)
Cash and cash equivalents at beginning of year	6(1)	<u>324,483</u>	<u>621,590</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 756,470</u>	<u>\$ 324,483</u>

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

GALLANT PRECISION MACHINING CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANIZATION

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

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

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

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company's stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011. The equity interest in Gallant Micro. Machining Co., Ltd. held by the Company as of December 31, 2020 was 57.19%.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 16, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) and IFRS 7 “Financial Instruments: Disclosures” - Interest Rate Benchmark Reform	January 1, 2020
Amendments to IFRS 16, “Covid-19-related rent concessions”	June 1, 2020 (Note)
Note: Early application from January 1, 2020 is allowed by the FSC.	

The above standards and interpretations have no significant impact to the Company financial condition and operating result based on the Company assessment.

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

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

The above standards and interpretations have no significant impact to the Company financial condition and operating result based on the Company assessment.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance Contracts'	January 1, 2023
IFRS 1, Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative – Accounting Policies	January 1, 2023
Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates	January 1, 2023

Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and operating result based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

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

Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that periods; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

Fixed payments, less any lease incentives receivable;

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- a. The amount of the initial measurement of lease liability;
- b. Any initial direct costs incurred by the lessee;

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(6) Financial assets at amortised cost

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

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

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

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

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

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(9) Inventories

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

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

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates

are accounted for using the equity method and are initially recognized at cost.

- F. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the company.
- I. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the parent company only financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the parent company only financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item

will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(12) Intangible assets

A. Computer software

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

B. Other intangible assets

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

(13) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should

not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(14) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(15) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(16) Derecognition of financial liabilities

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

(17) Provisions

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

(18) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

months after balance sheet date shall be discounted to their present value.

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

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

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet

date, unrecognized and recognized deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(20) Share capital

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

(21) Dividends

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

(22) Revenue recognition

A. Sales of goods

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

consideration is unconditional because only the passage of time is required before the payment is due. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

B. Sales of services

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

(23) Government grants

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$549,999.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 132	\$ 132
Checking accounts	27	26
Demand deposits	756,311	324,325
Total	<u>\$ 756,470</u>	<u>\$ 324,483</u>

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

B. As of December 31, 2020 and 2019, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-non-current. Please refer to note 8.

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Beneficiary certificates	\$ -	\$ 120,023
Valuation adjustment	-	330
	<u>\$ -</u>	<u>\$ 120,353</u>

A. The Company recognized net gain of \$60 and \$1,207 on financial assets and liabilities designated as at fair value through profit or loss for the year ended December 31, 2020 and 2019, respectively.

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

C. Information relating to price risk and fair market value are provided in Note 12(2) and (3).

(3) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Time deposits	\$ 115,655	\$ 77,885
Non-current items:		
Time deposits	16,407	13,365
	<u>\$ 132,062</u>	<u>\$ 91,250</u>

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

B. Details of the Company's financial assets at amortised cost pledged to others as collateral are

provided in Note 8.

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

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 10	\$ 31,568
Accounts receivable	\$ 1,311,193	\$ 2,210,771
Accounts receivable - related parties	10,605	-
Less: allowance for bad debts	(144,530)	(141,592)
	<u>\$ 1,177,268</u>	<u>\$ 2,069,179</u>

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,118,355	\$ 10	\$ 1,812,777	\$ 31,568
Up to 30 days	39,871	-	229,429	-
91 to 120 days	9,891	-	8,686	-
Over 120 days	153,681	-	159,879	-
	<u>\$ 1,321,798</u>	<u>\$ 10</u>	<u>\$ 2,210,771</u>	<u>\$ 31,568</u>

The above ageing analysis was based on past due date.

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

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

(5) Inventories

	<u>December 31, 2020</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 68,291	(\$ 10,737)	\$ 57,554
Work in progress	500,416	(9,967)	490,449
Finished goods	1,886	(4)	1,882
Inventory in transit	114	-	114
Total	<u>\$ 570,707</u>	<u>(\$ 20,708)</u>	<u>\$ 549,999</u>

	<u>December 31, 2019</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 52,449	(\$ 7,906)	\$ 44,543
Work in progress	639,890	(55,406)	584,484
Finished goods	80,272	(3)	80,269
Inventory in transit	521	-	521
Total	<u>\$ 773,132</u>	<u>(\$ 63,315)</u>	<u>\$ 709,817</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of goods sold	\$ 2,009,562	\$ 2,492,568
Gain on reversal of goods	(42,607)	(17,911)
	<u>\$ 1,966,955</u>	<u>\$ 2,474,657</u>

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

(6) Investments accounted for using equity method

	December 31, 2020	December 31, 2019
Gallant-Rapid Corporation Ltd. (the “GRC”)	\$ 233,377	\$ 208,563
Gallant Precision Machinery (BVI) Ltd.(the GPM(BVI))	382,594	361,306
APEX-I International Co., Ltd.	70,421	81,884
Chun-Zhun Enterprise Corporation Ltd. (the “CZE”)	-	10,223
Sunengine Co., Ltd.	-	30,148
Gallant Micro. Machining Co., Ltd.	537,027	523,819
	<u>1,223,419</u>	<u>1,215,943</u>
Accumulated impairment	(1,501)	(1,512)
	<u>\$ 1,221,918</u>	<u>\$ 1,214,431</u>

A. Investments in subsidiaries

Information about the Company’s subsidiaries is provided in Note 4(3) of the 2020 consolidated financial statements.

B. The Company sold all of the shares of Sunengine Co., Ltd. in August 2020.

C. The Company liquidated Chun-Zhun Enterprise Corporation Ltd. (the “CZE”) in June 2020.

D. Associates

The carrying amount of the Company’s interests in all individually immaterial associates and the Company’s share of the operating results:

As of December 31, 2020 and 2019, the carrying amount of the Company’s individually immaterial associates amounted to \$0 and \$63,780, respectively.

	Year ended December 31, 2020	Year ended December 31, 2019
Profit for the period from continuing operations	\$ 16,052	(\$ 47,105)
Total comprehensive income	<u>\$ 16,052</u>	<u>(\$ 47,105)</u>

(7) Property, plant and equipment

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leased assets	Others	Total
At January 1, 2020							
Cost	\$ 472,804	\$ 8,484	\$ 10,532	\$ 510	\$ 65,683	\$ 9,805	\$ 567,818
Accumulated depreciation and impairment	(138,429)	(3,919)	(5,291)	(460)	(16,357)	(4,311)	(168,767)
	<u>\$ 334,375</u>	<u>\$ 4,565</u>	<u>\$ 5,241</u>	<u>\$ 50</u>	<u>\$ 49,326</u>	<u>\$ 5,494</u>	<u>\$ 399,051</u>
<u>2020</u>							
Opening net book amount as at January 1	\$ 334,375	\$ 4,565	\$ 5,241	\$ 50	\$ 49,326	\$ 5,494	\$ 399,051
Additions	-	5,574	2,753	143	-	-	8,470
Depreciation charge	(9,509)	(1,317)	(2,615)	(70)	(1,288)	(1,415)	(16,214)
Closing net book amount as at December 31	<u>\$ 324,866</u>	<u>\$ 8,822</u>	<u>\$ 5,379</u>	<u>\$ 123</u>	<u>\$ 48,038</u>	<u>\$ 4,079</u>	<u>\$ 391,307</u>
At December, 31, 2020							
Cost	\$ 472,804	\$ 12,732	\$ 10,032	\$ 143	\$ 65,683	\$ 8,910	\$ 570,304
Accumulated depreciation and impairment	(147,938)	(3,910)	(4,653)	(20)	(17,645)	(4,831)	(178,997)
	<u>\$ 324,866</u>	<u>\$ 8,822</u>	<u>\$ 5,379</u>	<u>\$ 123</u>	<u>\$ 48,038</u>	<u>\$ 4,079</u>	<u>\$ 391,307</u>

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leased assets	Others	Total
At January 1, 2019							
Cost	\$ 477,490	\$ 8,863	\$ 12,989	\$ 1,178	\$ 66,693	\$ 10,255	\$ 577,468
Accumulated depreciation and impairment	(133,548)	(3,343)	(7,503)	(941)	(16,067)	(3,285)	(164,687)
<u>2019</u>	<u>\$ 343,942</u>	<u>\$ 5,520</u>	<u>\$ 5,486</u>	<u>\$ 237</u>	<u>\$ 50,626</u>	<u>\$ 6,970</u>	<u>\$ 412,781</u>
Opening net book amount as at January 1	\$ 343,942	\$ 5,520	\$ 5,486	\$ 237	\$ 50,626	\$ 6,970	\$ 412,781
Additions	-	-	2,778	-	-	-	2,778
Reclassifications	(977)	-	-	-	977	-	-
Depreciation charge	(8,590)	(955)	(3,023)	(187)	(2,277)	(1,476)	(16,508)
Closing net book amount as at December 31	<u>\$ 334,375</u>	<u>\$ 4,565</u>	<u>\$ 5,241</u>	<u>\$ 50</u>	<u>\$ 49,326</u>	<u>\$ 5,494</u>	<u>\$ 399,051</u>
At December, 31, 2019							
Cost	\$ 472,804	\$ 8,484	\$ 10,532	\$ 510	\$ 65,683	\$ 9,805	\$ 567,818
Accumulated depreciation and impairment	(138,429)	(3,919)	(5,291)	(460)	(16,357)	(4,311)	(168,767)
	<u>\$ 334,375</u>	<u>\$ 4,565</u>	<u>\$ 5,241</u>	<u>\$ 50</u>	<u>\$ 49,326</u>	<u>\$ 5,494</u>	<u>\$ 399,051</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the years ended December 31, 2020 and 2019, respectively.

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

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

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

(8) Leasing arrangements – lessee

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 205,987	\$ 214,408
Office equipment (multifunction printers)	31	252
	<u>\$ 206,018</u>	<u>\$ 214,660</u>

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,973	\$ 6,022
Transportation equipment (business vehicles)	-	135
Office equipment (multifunction printers)	220	238
	<u>\$ 6,193</u>	<u>\$ 6,395</u>

- D. For the years ended December 31, 2019 and 2020, the amount of addition for leases were \$0.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,413	\$ 3,528
Expense on short-term lease contracts	6,198	5,466

- F. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$14,336 and \$13,847, respectively.
- G. Extension and termination options

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

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 784,410	0.66%~1.25%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 918,987	1.08%~2.90%	None

(10) Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	\$ 671,796	\$ 723,270
Accrued accounts payable	121,947	120,660
	<u>\$ 793,743</u>	<u>\$ 843,930</u>

(11) Long-term borrowings

December 31, 2020 : None.

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 23,207
Unsecured borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	6,197
Mortgage borrowings	Borrowing period is from September 27, 2019 to September 27, 2021; interest is repayable monthly and principal is repayable in September, 2021.	1.36%	Note A & Note B	<u>350,000</u>
				379,404
Less: current portion				(8,074)
				<u>\$ 371,330</u>

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

Note B:(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to \$800 million with the bank on September 27, 2019. The Company also applied for a drawdown of \$350,000 from the credit line granted by the bank in September, 2019.

- (b) According to the notice of credit between the Company and the bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:
- i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).
 - ii . Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.
 - iii. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT\$2,200,000 (inclusive).

(12) Pensions

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 59,548)	(\$ 78,587)
Fair value of plan assets	<u>37,222</u>	<u>33,442</u>
Net defined benefit liability	<u>(\$ 22,326)</u>	<u>(\$ 45,145)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2020			
Balance at January 1	(\$ 78,587)	\$ 33,442	(\$ 45,145)
Current service cost	(381)	-	(381)
Interest (expense) income	(521)	210	(311)
Past service cost	-	-	-
	<u>(79,489)</u>	<u>33,652</u>	<u>(45,837)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	1,019	1,019
Experience adjustments	2,953	-	2,953
Change in demographic assumptions	(119)	-	(119)
Change in financial assumptions	<u>(2,723)</u>	<u>-</u>	<u>(2,723)</u>
	<u>111</u>	<u>1,019</u>	<u>1,130</u>
Pension fund contribution	-	6,379	6,379
Paid pension	<u>19,830</u>	<u>(3,828)</u>	<u>16,002</u>
Balance at December 31	<u>(\$ 59,548)</u>	<u>\$ 37,222</u>	<u>(\$ 22,326)</u>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2019			
Balance at January 1	(\$ 78,111)	\$ 26,372	(\$ 51,739)
Current service cost	(526)	-	(526)
Interest (expense) income	(768)	289	(479)
Past service cost	<u>2,426</u>	<u>-</u>	<u>2,426</u>
	(<u>76,979</u>)	<u>26,661</u>	(<u>50,318</u>)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	784	784
Experience adjustments	(1,895)	-	(1,895)
Change in demographic assumptions	(434)	-	(434)
Change in financial assumptions	<u>27</u>	<u>-</u>	<u>27</u>
	(<u>2,302</u>)	<u>784</u>	(<u>1,518</u>)
Pension fund contribution	-	6,691	6,691
Paid pension	<u>694</u>	(<u>694</u>)	<u>-</u>
Balance at December 31	(<u>\$ 78,587</u>)	<u>\$ 33,442</u>	(<u>\$ 45,145</u>)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Discount rate	<u>0.35%</u>	<u>0.75%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 1,731)	\$ 1,805	\$ 1,771	(\$ 1,708)
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 1,854)	\$ 1,932	\$ 1,903	(\$ 1,836)

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

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2021 amount to \$7,116.

(h) As of December 31, 2020, the weighted average duration of that retirement plan is 11 year. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,201
1-2 year(s)		1,822
2-5 years		6,099
Over 5 years		52,081
	\$	<u>61,203</u>

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

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$19,095 and \$19,191, respectively.

(13) Share capital

A. As of December 31, 2020, the Company’s authorized capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,651,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Unit: shares in thousands	
	Year ended December 31, 2020	Year ended December 31, 2019
At January 1	165,136	165,136
Treasury stock acquired	(6,000)	-
At December 31	159,136	165,136

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousands shares of the Company. All the acquired shares will be reissued to employees. As of December 30, 2020, the Company has acquired 6,000 thousands shares.

C. Treasury shares

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

Name of company holding the shares	Reason for reacquisition	December 31, 2020	
		Number of shares	Carrying amount
The Company	To be reissued to employees	6,000	\$ 108,425

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

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

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(14) Capital surplus

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

B. Details of Capital surplus:

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of subsidiaries	Net change in equity of associates	Employee stock option	Total
At January 1, 2020	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,326	\$ 12,003	\$ 4,446	\$ 199,091
Disposals investment of associates	-	-	-	-	(12,003)	-	(12,003)
At December 31, 2020	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,326	\$ -	\$ 4,446	\$ 187,088

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of subsidiaries	Net change in equity of associates	Employee stock option	Total
At January 1, 2019 and At December 31, 2019	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,003	\$ 12,326	\$ 4,446	\$ 199,091

(15) Retained earnings

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

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

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

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

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

D. On June 17, 2020 and June 25, 2019, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2019 and 2018 were as following:

	Year ended December 31,2020		Year ended December 31,2019	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ 24,764	\$ -	\$ 37,010	\$ -
Cash dividends	247,704	1.556	214,677	1.300
Total	\$ 272,468	\$ 1.556	\$ 251,687	\$ 1.300

E. On March 16, 2020, the Board of Directors resolved for the distribution of dividends from 2020 earnings amounting to \$159,136 (\$1 (in dollars) per share).

(16) Other equity items

	Year ended December 31, 2020		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 3,295	(\$ 99,700)	(\$ 96,405)
Revaluation - subsidiary	28,825	-	28,825
Revaluation - tax	108	-	108
Revaluation transferred to profit and loss – liquidation of subsidiary	-	1,360	1,360
Currency translation differences: -subsidiary	-	17,766	17,766
At December 31	<u>\$ 32,228</u>	<u>(\$ 80,574)</u>	<u>(\$ 48,346)</u>

	Year ended December 31, 2019		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 31,815	(\$ 64,286)	(\$ 32,471)
Revaluation - subsidiary	(38,688)	-	(38,688)
Revaluation - tax	10,168	-	10,168
Currency translation differences: -subsidiary	-	(35,414)	(35,414)
At December 31	<u>\$ 3,295</u>	<u>(\$ 99,700)</u>	<u>(\$ 96,405)</u>

(17) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from Contracts with Customers	<u>\$ 2,453,801</u>	<u>\$ 3,335,058</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2020	Taiwan	China	Other	Total
Revenue from external customer contracts	<u>\$ 682,696</u>	<u>\$ 1,750,659</u>	<u>\$ 20,446</u>	<u>\$ 2,453,801</u>
Timing of revenue recognition				
At a point in time	\$ 679,052	\$ 1,745,074	\$ 20,137	\$ 2,444,263
Over time	3,644	5,585	309	9,538
	<u>\$ 682,696</u>	<u>\$ 1,750,659</u>	<u>\$ 20,446</u>	<u>\$ 2,453,801</u>

Year ended December 31, 2019	Taiwan	China	Other	Total
Revenue from external customer contracts	<u>\$ 850,893</u>	<u>\$ 2,466,241</u>	<u>\$ 17,924</u>	<u>\$ 3,335,058</u>
Timing of revenue recognition				
At a point in time	\$ 845,371	\$ 2,466,241	\$ 17,924	\$ 3,329,536
Over time	5,522	-	-	5,522
	<u>\$ 850,893</u>	<u>\$ 2,466,241</u>	<u>\$ 17,924</u>	<u>\$ 3,335,058</u>

B. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities:			
Contract liabilities-Deposit	\$ <u>205,257</u>	\$ <u>107,874</u>	\$ <u>51,088</u>

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

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Deposit	\$ <u>85,925</u>	\$ <u>45,023</u>
Total	\$ <u>85,925</u>	\$ <u>45,023</u>

(18) Interest income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Interest income from bank deposits	\$ <u>1,779</u>	\$ <u>1,966</u>

(19) Other income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Rental revenue	\$ <u>18,130</u>	\$ <u>15,386</u>
Government subsidy income	<u>83,217</u>	<u>10,305</u>
Others	<u>12,745</u>	<u>10,290</u>
Total	\$ <u>114,092</u>	\$ <u>35,981</u>

Note: Government subsidy income were the salary and working capital subsidy of the Ministry of Economic Affairs for the manufacturing and technical service industries that are affected by COVID-19, as well as the income of scientific and technical subsidies.

(20) Other gains and losses

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Gains on disposal of investments	\$ <u>2,629</u>	\$ <u>20</u>
Net gains on financial assets and liabilities at fair value through profit or loss	<u>60</u>	<u>1,207</u>
Net currency exchange (losses) gains	(<u>62,257</u>)	(<u>16,026</u>)
Impairment loss	- (<u>965</u>)	(<u>965</u>)
Other	(<u>12</u>)	(<u>20</u>)
Total	(\$ <u>59,580</u>)	(\$ <u>15,784</u>)

(21) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense	\$ 18,731	\$ 30,548

(22) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 483,561	\$ 548,811
Depreciation expense	\$ 22,407	\$ 22,903
Amortization charges on intangible assets	\$ 12,671	\$ 35,495

(23) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 413,581	\$ 475,736
Labour and health insurance fees	33,987	36,539
Pension costs	19,787	17,770
Other personnel expenses	16,206	18,766
	\$ 483,561	\$ 548,811

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

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

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

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$22,139 and \$39,008, respectively; while directors' and supervisors' remuneration was accrued at \$3,752 and \$6,612, respectively.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.8% and 2% of distributable profit of current year for the year ended December 31, 2020.

The employees' compensation and directors' and supervisors' remuneration for 2019 amounting to \$39,008 and \$6,612, respectively, as resolved by the Board of Directors on March 24, 2020 which were in agreement with those amounts recognized in the 2019 financial statements.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Current tax:		
Current tax on profits for the year	\$ 5,713	\$ 46,228
Tax on undistributed surplus earnings	-	5,296
Prior year income tax (over) underestimation	(5,401)	(12,025)
Total current tax	<u>312</u>	<u>39,499</u>
Deferred tax:		
Origination and reversal of temporary differences	11,903	(4,047)
Total deferred tax	<u>11,903</u>	<u>(4,047)</u>
Income tax expense	<u>\$ 12,215</u>	<u>\$ 35,452</u>

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

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Share of other comprehensive income of subsidiary	<u>\$ 108</u>	<u>\$ 10,168</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 32,421	\$ 56,850
Expenses disallowed by tax regulation	3,015	-
Tax exempt income by tax regulation	-	(13,753)
Temporary differences not recognized as deferred tax assets	1,032	159
Change in assessment of realisation of deferred tax assets	(18,852)	(1,075)
Prior year income tax (over) underestimation	(5,401)	(12,025)
Tax on undistributed earnings	-	5,296
Tax expenses	<u>\$ 12,215</u>	<u>\$ 35,452</u>

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

	Year ended December 31, 2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	\$ 23,834	\$ 2,429	\$ -	\$ 26,263
Inventory obsolescence and market price decline	12,663	(8,521)	-	4,142
Warranty provision	22,231	(3,872)	-	18,359
Net defined benefit liabilities	3,969	(1,134)	-	2,835
Unrealized gain of financial assets at fair value through other comprehensive income	3,830	-	108	3,938
Others	7,406	(805)	-	6,601
Total	<u>\$ 73,933</u>	<u>(\$ 11,903)</u>	<u>\$ 108</u>	<u>\$ 62,138</u>

	Year ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	\$ 16,195	\$ 7,639	\$ -	\$ 23,834
Inventory obsolescence and market price decline	16,245	(3,582)	-	12,663
Warranty provision	30,027	(7,796)	-	22,231
Net defined benefit liabilities	5,563	(1,594)	-	3,969
Unrealized gain of financial assets at fair value through other comprehensive income	-	-	3,830	3,830
Others	(1,974)	9,380	-	7,406
Subtotal	<u>66,056</u>	<u>4,047</u>	<u>3,830</u>	<u>73,933</u>
Deferred tax liabilities:				
Unrealized gain of financial assets at fair value through other comprehensive income	(6,338)	-	6,338	-
Subtotal	<u>(6,338)</u>	<u>-</u>	<u>6,338</u>	<u>-</u>
Total	<u>\$ 59,718</u>	<u>\$ 4,047</u>	<u>\$ 10,168</u>	<u>\$ 73,933</u>

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 259,026</u>	<u>\$ 348,125</u>

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Earnings per share

Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 149,511	160,989	\$ 0.93
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,258	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 149,511	162,247	\$ 0.92
Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 249,158	165,136	\$ 1.51
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2,499	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 249,158	167,635	\$ 1.49

(26) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 8,470	\$ 2,778
Add: opening balance of payable on equipment	913	1,726
Less: ending balance of payable on equipment	(358)	(913)
Cash paid during the year	\$ 9,025	\$ 3,591

(27) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Leases liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2020	\$ 918,987	\$ 379,404	\$ 2,336	\$ 216,202	\$ 1,516,929
Changes in cash flow from financing activities	(134,577)	(379,404)	1,194	(4,725)	(517,512)
Interest expense	-	-	-	3,413	3,413
Payment of interest	-	-	-	(3,413)	(3,413)
Changes in lease liabilities	-	-	-	(2,448)	(2,448)
At December 30, 2020	<u>\$ 784,410</u>	<u>\$ -</u>	<u>\$ 3,530</u>	<u>\$ 209,029</u>	<u>\$ 996,969</u>

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Leases liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2019	\$ 585,121	\$ 388,038	\$ 2,336	\$ 221,055	\$ 1,196,550
Changes in cash flow from financing activities	333,866	(8,634)	-	(4,853)	320,379
Interest expense	-	-	-	3,528	3,528
Payment of interest	-	-	-	(3,528)	(3,528)
At December 30, 2019	<u>\$ 918,987</u>	<u>\$ 379,404</u>	<u>\$ 2,336</u>	<u>\$ 216,202</u>	<u>\$ 1,516,929</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Gallant Biotech (Suzhou) Co., Ltd.	Associate
Sunengine Co., Ltd.	Associate (Note)
C SUN Mfg. Ltd.	Associate
C SUN(Guangzhou) Mfg. Ltd.	Associate
Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party

Note: The company was not the associate of the Group from August, 2020.

(2) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Sales of goods:		
Associate	<u>\$ 13,568</u>	<u>\$ -</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Purchases of goods:		
Subsidiary - Gallant Precision Intelligence Technology Co., Ltd.	246,993	171,598
Other subsidiary	<u>1,273</u>	<u>1,019</u>
	<u>\$ 248,266</u>	<u>\$ 172,617</u>

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

C. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivables :		
Associate	<u>\$ 10,605</u>	<u>\$ -</u>
Other receivables		
Subsidiary	<u>\$ 2,725</u>	<u>\$ 3,132</u>

D. Payables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payables:		
Subsidiary	<u>\$ 54,503</u>	<u>\$ 51,201</u>
Other accounts payables:		
Associate	<u>\$ 470</u>	<u>\$ -</u>

E. Other

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Item</u>	<u>Amount</u>	<u>Item</u>	<u>Amount</u>
Other:	Other revenue	<u>\$ 3,327</u>	Other revenue	<u>\$ 3,537</u>
Subsidiary	Procurement service revenue	<u>\$ 14,524</u>	Procurement service revenue	<u>\$ 6,499</u>
	After sales services expense from overseas	<u>\$ 33,022</u>	After sales services expense from overseas	<u>\$ 31,459</u>

F. Endorsements and guarantees provided to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary	<u>\$ 153,920</u>	<u>\$ 100,000</u>

(3) Key management compensation

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Salaries and other short-term employee benefits	\$ 21,749	\$ 32,460
Post-employment benefits	<u>16,748</u>	<u>833</u>
Total	<u>\$ 38,497</u>	<u>\$ 33,293</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposits (shown as "financial assets at amortised cost non-current")	\$ 16,407	13,365	Exercise guarantee for construction and customs deposit
Property, plant and equipment	376,707	387,505	Long-term borrowings
	<u>\$ 393,114</u>	<u>\$ 400,870</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingent liabilities

As of the years ended December 31, 2020 and 2019, respectively, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$82,182 and \$64,971, respectively.

(2) Unrecognized contract commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(15)

12. OTHERS

(1) Capital management

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

During year ended December 31, 2020, the Company's strategy, which was unchanged from 2020 was to maintain the gearing ratio within reasonable risk level. The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowings	\$ 784,410	\$ 1,298,391
Less: Cash and cash equivalents	(756,470)	(324,483)
Net debt	27,940	973,908
Total equity	2,217,221	2,386,653
Total capital	<u>\$ 2,245,161</u>	<u>\$ 3,360,561</u>
Gearing ratio	<u>1.24%</u>	<u>28.98%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 120,353
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	756,470	324,483
Financial assets at amortised cost	132,062	91,250
Notes receivables	10	31,568
Accounts receivables (including related parties)	1,177,268	2,069,179
Other accounts receivables(including related parties)	7,025	5,632
Guarantee deposits paid	4,069	2,672
	<u>\$ 2,076,904</u>	<u>\$ 2,645,137</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 784,410	\$ 918,987
Accounts payable	848,246	895,131
Other accounts payable (including related parties)	173,278	206,534
Long-term borrowings (including current portion)	-	379,404
Guarantee deposits received	3,530	2,336
	<u>1,809,464</u>	<u>2,402,392</u>
Leases liabilities	<u>\$ 209,029</u>	<u>\$ 216,202</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

- (a) Market risk

Foreign exchange risk

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

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 71,830	28.48	\$ 2,045,709
JPY:NTD	40,806	0.2763	11,275
RMB:NTD	23,495	4.377	102,839
<u>Non-monetary items</u> : None			
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 22,668	28.48	\$ 645,572
JPY:NTD	105,809	0.2763	29,236
RMB:NTD	9,292	4.377	40,671
<u>Non-monetary items</u> : None			

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 66,322	29.98	\$ 1,988,340
JPY:NTD	61,571	0.276	16,994
RMB:NTD	3,800	4.305	16,359
<u>Non-monetary items</u> : None			
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 30,412	29.98	\$ 911,758
JPY:NTD	73,105	0.276	20,177
RMB:NTD	7,163	4.375	30,838
<u>Non-monetary items</u> : None			

- ii. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to (\$62,257) and (\$16,026), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 10,817	\$ -
JPY:NTD	1%	113	-
RMB:NTD	1%	1,028	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 6,455)	\$ -
JPY:NTD	1%	(292)	-
RMB:NTD	1%	(407)	-
Year ended December 31, 2019			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 19,883	\$ -
JPY:NTD	1%	170	-
RMB:NTD	1%	164	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 9,118)	\$ -
JPY:NTD	1%	(202)	-
RMB:NTD	1%	(308)	-

Price risk

- A. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company's investments in equity securities comprise domestic listed and unlisted stocks, shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the year ended December 31, 2020 and 2019 would have increased/decreased by \$0 and \$1,204, respectively.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which

is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the year ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in the NTD, JPY, USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the year ended December 31, 2020 and 2019 would have increased/decreased by \$5,237 and \$9,131, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customer's accounts receivable, in accordance with credit rating of customer. The Company applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable.

The provision matrix as of December 31, 2020 and 2019, is as follows:

At December 31, 2020	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.92%	0.01%-34.90%	0.26%-38.91%	0.95%-100%	
Total book value	\$ 1,118,355	\$ 39,871	\$ 9,891	\$ 153,681	\$1,321,798
Loss allowance	\$ 4,000	\$ 7,743	\$ 3,728	\$ 129,059	\$ 144,530

At December 31, 2019	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.60%	0.01%-28.02%	0.26%-32.67%	0.95%-100%	
Total book value	\$ 1,812,777	\$ 229,429	\$ 8,686	\$ 159,879	\$2,210,771
Loss allowance	\$ 3,690	\$ 15,962	\$ 3,499	\$ 118,441	\$ 141,592

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

	For the year ended December 31, 2020	
	Accounts receivable	
At January 1	\$	141,592
Provision for impairment		2,938
At December 31	\$	144,530

	For the year ended December 31, 2019	
	Accounts receivable	
At January 1	\$	96,116
Provision for impairment		76,343
Write-offs	(	30,867)
At December 31	\$	141,592

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

	Year ended December 31, 2020			
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost Group 1	\$ 132,062	\$ -	\$ -	\$ 132,062

	Year ended December 31, 2019			
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost Group 1	\$ 91,250	\$ -	\$ -	\$ 91,250
Group 1: Taiwai Bank				

(c) Liquidity risk

i . Cash flow forecasting is performed in the operating entities of the Company and

aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and no active market of debt securities investment (Later than three month but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2020 and 2019, the Company held money market position of \$871,966 and \$522,563, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate:		
Expiring within one year	<u>\$ 1,470,408</u>	<u>\$ 1,056,042</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2021. The other facilities have been arranged to help finance the proposed equipment manufacturing and research and development business activities of the Company. Please refer to note 12.

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

Non-derivative financial liabilities:

December 31, 2020	<u>Less than 3 months</u>	<u>3 months and 1year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 349,610	\$ 434,800	\$ -	\$ -	\$ -
Accounts payable (including related parties)	368,616	311,899	-	167,731	-
Other payables (including related parties)	140,955	32,323	-	-	-
Leases liabilities	2,003	5,944	7,914	23,743	234,814

Non-derivative financial liabilities:

December 31, 2019	<u>Less than 3 months</u>	<u>3 months and 1year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 409,227	\$ 509,760	\$ -	\$ -	\$ -
Accounts payable (including related parties)	379,892	200,941	-	314,298	-
Other payables (including related parties)	156,530	50,004	-	-	-
Leases liabilities	2,061	6,165	8,034	24,005	245,562
Long-term borrowings (including current portion)	3,285	9,882	361,915	13,290	-

Derivative financial liabilities:

December 31, 2020 and 2019:None

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The Company's financial instruments not measured at fair value (the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, deposit account(over 3 months), short-term borrowings, contract liabilities, accounts payable, other payables, lease payments (shown as other current assets and other non-current assets) and long-term borrowings (including current portion) are approximate to their fair values.

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

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

December 31, 2020: None.

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 120,353	\$ -	\$ -	\$ 120,353
Total	<u>\$ 120,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,353</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss: none				

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

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

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Closing price	Net asset value

- D. For the years ended December 31, 2020 and 2019, there was no transfer into or out from the financial instruments movement of level 3.
- E. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- F. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

None.

Table 1

**GALLANT PRECISION MACHINING CO., LTD.
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Company's Total Financing Amount Limits (Note 1)	Footnote	
													Item Promised	Value			
1	Gallant Micro-Machining Co., Ltd.	Urtron Technologies Corp	Other receivables	Y	\$ 50,000	\$ 50,000	\$ 23,000	2.00%	Short-term financing	-	Operating need	-	Item Promised	50,000	93,903	187,805	
	Urtron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables	N	\$ 6,000	\$ 6,000	\$ 4,500	2.00%	Short-term financing	-	Operating need	-	-	-	6,617	13,235	

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

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

The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

Note2: Urtron Technologies Corp. Financings provided:

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

The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

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

Table 2

**GALLANT PRECISION MACHINING CO., LTD.
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum/ Endorsement/ Guarantee Amount Allowable(Note1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Subsidiary	\$ 443,444	\$ 108,480	\$ 68,480	\$ -	-	3.09	\$ 1,108,610	Y	N	N	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary	443,444	85,440	85,440	-	-	3.85	1,108,610	Y	N	Y	
1	Gallant Micro, Machining Co., Ltd.	Gallant Micro, Machining (Suzhou) Co., Ltd.	Subsidiary	187,805	28,480	28,480	-	-	3.03	469,513	Y	N	Y	
1	Gallant Micro, Machining Co., Ltd.	Uttron Technologies Corp	Subsidiary	187,805	128,000	128,000	94,600	-	13.63	469,513	Y	N	N	

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

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

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

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

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

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

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

Table 3

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

DECEMBER 31, 2020

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020			Footnote
				Carrying Value	Percentage of Ownership	Fair Value	
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	-	Financial assets at fair value through other comprehensive income-non-current	10,294	0.59	10,294	
King Mechatronics Co., Ltd.	POWER EVER ENTERPRISES LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	157,672	10.15	157,672	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	-	1.98	-	

Table 4

**GALLANT PRECISION MACHINING CO., LTD.
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
REACHING \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction term compared to third party transactions(note 1)			Notes/accounts receivable (payable)		Footnote (note2)
			Purchases(sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	The Company holds indirectly 100% of the investee.	Purchases	\$ 246,993	10.89%	Similar to third parties	Similar to third parties	\$ 71,194	6.47%	
Gallant Precision Intelligence Technology Co., Ltd.	Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party	Purchases	123,256	5.44%	Similar to third parties	Similar to third parties	34,274	3.11%	

Note1: If the transaction term are different compared to third party, please describe the differences terms on column of credit term and unit price.

Note2: If the transaction have prepayment or received in advance, please describe the reason, term, amount and differences compared to third party on column of footnote.

Table 5

GALLANT PRECISION MACHINING CO., LTD.
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions		Percentage of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	\$ 246,993	7.14
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Accounts payable	71,194	1.17
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Cost of sales	33,022	0.95
1	Gallant Micro Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	53,891	1.56
1	Gallant Micro Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	18,611	0.31
1	Gallant Micro Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	35,611	1.03
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	3	Other accounts receivable	23,000	0.38
1	Gallant Micro Machining Co., Ltd.	Gallant Micro Machining (Suzhou) Co., Ltd.	3	Sales	22,780	0.66
2	King Mechatronics Co., Ltd.	Gallant Micro Machining (Suzhou) Co., Ltd.	3	Purchases	59,374	1.72
2	King Mechatronics Co., Ltd.	Gallant Micro Machining (Suzhou) Co., Ltd.	3	Accounts payable	26,426	0.43

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

(1) Number 0 represents the Company.

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

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

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 6

GALLANT PRECISION MACHINING CO., LTD.
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products (Suzhou) Co., Ltd.	Original Investment Amount		Balance as of December 31, 2020		Percentage of Ownership	Carrying Value	Net Income (Losses) of the Investee (note1)	Share of Profits/ Losses of Investee (note1)	Footnote
				December 31, 2020 \$	December 31, 2019 \$	December 31, 2020 \$	December 31, 2019 \$					
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	459,050	459,050	13,560,000	100.00	233,377	19,852	19,852		
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BYD) Ltd.	British Virgin Islands	Investment Gallant Precision Machinery (Xiamen) Co., Ltd.	660,506	660,506	20,289,000	100.00	381,093	15,038	15,038		
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	70,421	7,850	7,850		
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd.	British Virgin Islands	Investing in Gallant Technology (Shenzhen) Co., Ltd. and Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation	-	125,671	-	-	-	(46)	(46)	Note2	
Gallant Precision Machining Co., Ltd.	Stemagine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	-	366,877	-	-	-	(2,380)	(901)	Note3	
Gallant Precision Machining Co., Ltd.	Gallant Micro Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	57.19	537,027	44,522	25,462		
Gallant Micro Machining Co., Ltd.	King Mechatronics Co., Ltd.	British Virgin Islands	Investment Gallant Micro Machining (Suzhou) Co., Ltd.	393,508	393,508	2,780,645	100.00	804,996	23,297	23,297		
Gallant Micro Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Malaysia	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	3,992	3,992	500,000	100.00	2,748	54	54		
Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and testing equipment of PCB and related systems	53,212	29,540	2,660,600	76.02	50,306	(39,071)	(29,702)		
Utron Technologies Corp	U Pin Precision Co., Ltd.	Taiwan	Planning, development, design and manufacturing of electrical logging fixture	-	7,636	-	-	-	373	257		

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

Note2: The subsidiary has been completed the dissolution and liquidation procedure in June 2020.

Note3: The Group has sold all shares of the investment.

Table 7

**GALLANT PRECISION MACHINING CO., LTD.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (note 1)	Investment Flows				Share of Profits/Losses (note 2(B))	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Footnote
				Accumulated Outflow of Investment from January 1, 2020	Outflow	Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2020					Net Income (Losses) of the Investee Company(note2(B))	Percentage of Ownership
		\$ 179,994	2	\$ 149,264	\$ -	\$ -	\$ 149,264	\$ 20,950	\$ 199,421	\$ -	Note2-2.C
Gallant Precision Industries (Suzhou) Co., Ltd.	Main Businesses and Products Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	543,968	2	543,968	-	-	543,968	15,205	382,562	-	Note2-2.C
Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	59,409	2	59,409	(9,429)	-	49,980	58	-	-	Note2-2.C
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	-	2	46,337	-	-	46,337	-	-	-	Note2-2.C
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	-	-	-	-	-	-	-	-	Note2-2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	156,640	2	29,870	(1,779)	-	28,091	-	157,672	6,507	Note2-2.C
Gallant Micro Machining (Suzhou) Co., Ltd.	Engaged in selling of mechanical precision mold and related parts	129,584	2	229,066	-	-	229,066	21,984	655,501	-	Note2-2.B
Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.	Manufacturing and selling of kinds of film forming system, filling and packaging system and related services.	166,326	3	-	-	-	-	12,833	-	-	Note2-2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	30,639	3	-	-	-	-	162	6,223	-	Note2-2.C
Suzhou Jianmeifa Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	17,508	3	-	-	-	-	92	-	-	Note2-2.C
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	43,770	3	-	-	-	-	3,253	55,306	-	Note2-2.C
Gallant Biotech (Suzhou) Co., Ltd.	Manufacturing, research, development and selling of medical equipment	42,816	3	-	-	-	-	13,672	3,984	-	Note2-2.C

Investee Company	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 789,549	\$ 942,885	\$ 1,330,333
Gallant Mikro. Machining Co., Ltd.	257,157	257,157	563,416

Note1: There are three methods of investment as follows

- (1) Directly invest in Mainland China.
- (2) Indirectly invest in Mainland China.
- (3) Others.

Note2: Share of Profits/Losses recognized for the year ended December, 2015:

- (1) No investment income (loss) recognition.
- (2) There are three basis for investment income (loss) recognition.
 - A. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by R.O.C. parent company's CPA.
 - C. Others (The basis for investment income (loss) recognition is from the non-audited financial statements prepared by the investees.

Note3: The amounts of paid-in capital and accumulated beginning and ending balance have translated to New Taiwan Dollars at the closing exchange rate.

Note4: The investment had completed liquidating procedure in June, 2020.

Note5: The Group had sold 29.14% shares of Gallant Biotech (Suzhou) Co., Ltd in June, 2020.

Note6: The investment had completed liquidating procedure in March, 2020.

Note7: The investment had completed liquidating procedure in October, 2020.

Note8: The investment review committee of the Ministry of Economic Affairs verified the amount of investment in investment businesses in the mainland based on the exchange rate USD:NTD=1:28.48 on December 31, 2020.

Table 8

**GALLANT PRECISION MACHINING CO., LTD.
 INFORMATION OF MAJOR SHAREHOLDER
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	39,537,827	23.94%

Note1: The main shareholder information in this table is based on the last business day at the end of each quarter by the China Insurance Company, which calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Public information observatory.

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description		Amount
Cash and cash equivalents			\$ 132
Cash in banks			
Checking accounts			27
Demand deposits -NTD			618,303
-USD	2,747,191	Exchange rate 28.48	78,240
-JPY	40,805,314	Exchange rate 0.2763	11,275
-EUR	8,659	Exchange rate 35.02	303
-SGD	774,133	Exchange rate 21.56	16,690
-CNY	7,196,782	Exchange rate 4.377	31,500
			<u>\$ 756,470</u>

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 2

Client Name	Description	Amount	NOTE
General Customers:			
J company		\$ 332,362	
F company		105,375	
B company		93,708	
L company		79,060	
H company		64,422	
Others		636,266	The amount of individual client included in others does not exceed 5% of the account balance.
		1,311,193	The amount more them one year was \$138,680
Less: Allowance for bad debts		(144,530)	
Total		\$ 1,166,663	
Related parties:			
C SUN Mfg. Ltd.		\$ 10,605	
Others		<u>\$ 1,177,268</u>	

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Description	Amount		Note
		Cost	Market value	
Raw materials		\$ 68,291	\$ 68,272	Net Realizable Value for the market value
Work in process		500,416	1,200,707	"
Finished goods		1,886	1,886	"
Inventory in transit		114	114	"
		<u>570,707</u>	<u>\$ 1,270,979</u>	
Less: allowance for valuation		(<u>20,708</u>)		
		<u>\$ 549,999</u>		

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 4

Investees	Balance, January 1, 2020		Additions (Note 1)		Decrease (Note 2)		Balance, December 31, 2020		Market Value or Net Assets Value		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Total Amount	Unit Price	Collateral
Gallant-Rapid Corporation Ltd.	13,560,000	\$ 208,563	-	\$ 24,814	-	\$ -	13,560,000	\$ 233,377	\$ 233,377	-	Nil
Gallant Precision Machinery (BVI) Ltd.	20,289,000	361,306	-	21,288	-	-	20,289,000	382,594	382,594	-	"
Apex-I International Co., Ltd.	6,600,000	81,884	-	-	-	(11,463)	6,600,000	70,421	70,421	-	"
Chun-Zhun Enterprise	3,576,000	10,223	-	-	3,576,000	(10,223)	-	-	-	-	"
Sunengine Co., Ltd.	7,568,259	30,148	-	-	7,568,259	(30,148)	-	-	-	-	"
Gallant Micro-Machining Co., Ltd.	16,171,750	523,819	-	13,208	-	-	16,171,750	537,027	537,027	-	"
Less: Accumulated Impairment		(1,512)		-		11		(1,501)			
Total		\$ 1,214,431		\$ 59,310		(\$ 51,823)		\$ 1,221,918			

Note 1: The amount of additions is included the adjustment of cumulative translation, investment profit or loss and increase in investment.

Note 2: The amount of decrease is included capital reduction to offset accumulated losses and disposal of investment.

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF CHANGES IN FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Balance, January 1, 2020	Additions	Decrease	Balance, December 31, 2020	Remark
Buildings	\$ 472,804	-	-	472,804	Pledge for long – term borrowings
Machinery and equipment	8,484	5,574	(1,326)	12,732	None
Office equipment	10,532	2,753	(3,253)	10,032	None
Transportation equipment	510	143	(510)	143	None
Leased assets	65,683	-	-	65,683	Pledge for long – term borrowings
Others	9,805	-	(895)	8,910	None
	<u>\$ 567,818</u>	<u>\$ 8,470</u>	<u>(\$ 5,984)</u>	<u>\$ 570,304</u>	

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 6

Item	Balance, January 1, 2020	Additions	Decrease	Balance, December 31, 2020
Buildings	\$ 138,429	\$ 9,509	-	\$ 147,938
Machinery and equipment	3,919	1,317	(1,326)	3,910
Office equipment	5,291	2,615	(3,253)	4,653
Transportation equipment	460	70	(510)	20
Leased assets	16,357	1,288	-	17,645
Others	4,311	1,415	(895)	4,831
	<u>\$ 168,767</u>	<u>\$ 16,214</u>	<u>(\$ 5,984)</u>	<u>\$ 178,997</u>

GALLANT PRECISION MACHINING CO., LTD
STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 7

Name	Description	Balance, December 31, 2020	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral	Note
ChinaTrust Commercial Bank	Unsecured loans	\$ 22,784	Maturity within 1 year	1.02%	\$ 300,000	Nil	
Bank SinoPac	"	42,720	"	1.25%	87,000	"	
E.SUN Bank	"	86,864	"	0.90%	150,000	"	
Mega Bank	"	95,408	"	0.79%	150,000	"	
TAIWAN COOPERATIVE BANK	"	149,520	"	0.77%	200,000	"	
Cathay United Bank	"	98,256	"	1.06%	200,000	"	
KGI BANK	"	51,834	"	1.11%	200,000	"	
HUA NAN BANK	"	37,024	"	0.85%	100,000	"	
The Export-Import Bank of the Republic of China	"	150,000	"	0.66%	150,000	"	
Yuanta Bank	"	50,000	"	0.90%	200,000	"	
		<u>\$ 784,410</u>			<u>\$ 1,887,000</u>		

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 8

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
General Supplier			The amount of individual vendor in others does not exceed 5% of the account balance.
Others		793,743	
		<u>\$ 793,743</u>	
Related parties:			
Gallant Precision Intelligence Technology Co., Ltd.		53,764	
Gallant Precision Industries (Suzhou) Co., Ltd.		739	
		<u>\$ 54,503</u>	

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 9

Item	Unit	Amount	Remark
Display industry	110	\$ 1,481,727	
Others (Note)	-	972,074	
Net revenue		<u>\$ 2,453,801</u>	

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Amount
Raw materials, beginning of year (Included inventory in transit)	\$ 52,970
Add: Raw material purchased	1,539,311
Less: Raw materials, end of year(Included inventory in transit)	(68,405)
Sales of Raw materials	(26,511)
Raw materials used	1,497,365
Direct labor	217,963
Manufacturing expenses	178,080
Manufacturing cost	1,893,408
Add:Work in process, beginning of year	639,890
Less:Work in process, end of year	(500,416)
Transferred to research and development expenses	(152,534)
Others	(26)
Cost of finished goods	1,880,322
Add:Finished goods, beginning of year	80,272
Less:Finished goods, end of year	(1,886)
Cost of goods sold	1,958,708
After sales cost	24,343
Loss on decline in market value	(42,607)
Cost of Raw materials sold	26,511
	<u>\$ 1,966,955</u>

GALLANT PRECISION MACHINING CO., LTD.
 STATEMENT OF MANUFACTURING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Description	Amount	Remark
Payroll expenses		\$ 49,668	
Amortization charges		17,484	
Depreciation charges		14,565	
Others		96,363	The amount of each item included in others does not exceed 5% of the account balance.
		<u>\$ 178,080</u>	

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Selling expenses			
Wages and salaries expenses		\$ 29,918	
Packing expenses		16,827	
Shipping expenses		9,566	
Entertainment expenses		6,442	
			The amount of each item included in others does not exceed 5% of the account balance.
Others		<u>27,306</u>	
		<u>\$ 90,059</u>	
General and administrative expenses			
Wages and salaries expenses		\$ 102,384	
			The amount of each item included in others does not exceed 5% of the account balance.
Others		<u>39,574</u>	
		<u>\$ 141,958</u>	
Research and development expenses			
Research and development orders expenses		\$ 141,059	
Wages and salaries expenses		35,598	
			The amount of each item included in others does not exceed 5% of the account balance.
Others		<u>18,363</u>	
		<u>\$ 195,020</u>	
		<u>\$ 427,037</u>	

GALLANT PRECISION MACHINING CO., LTD.
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 13

Function	Year ended December 31, 2020		Year ended December 31, 2019			
	Classified as cost of revenue	Classified as operating expenses	Total	Classified as cost of revenue	Classified as operating expenses	Total
Nature						
Labor cost						
Wages and salaries expenses	\$ 245,681	\$ 162,558	\$ 408,239	\$ 258,866	\$ 209,244	\$ 468,110
Labor and health insurance	24,010	9,977	33,987	25,197	11,342	36,539
Pension	13,306	6,481	19,787	13,094	4,676	17,770
Directors remuneration	-	5,342	5,342	-	7,626	7,626
Other employee benefit expense	11,643	4,563	16,206	14,202	4,564	18,766
Depreciation charges	14,565	7,842	22,407	14,394	8,509	22,903
Amortization charges	6,645	6,026	12,671	7,830	27,665	35,495

1. As of December 31, 2020 and 2019, the company had 423 and 448 employees, respectively and the number of directors who have not served as employees are 6 and 5 respectively.
2. Listed on the Taiwan Stock Exchange and Taipei exchange companies, please disclosure below information :
 - (1) Average labor cost for the year ended December 31, 2020 was NT\$1,151
Average labor cost for the year ended December 31, 2019 was NT\$1,222
 - (2) Average salary and bonus for the year ended December 31, 2020 was NT\$983
Average salary and bonus for the year ended December 31, 2019 was NT\$1,057
 - (3) Average salary and bonus decreased by 7.00% year over year.
 - (4) The supervisor's remuneration for the year ended December 31, 2020 was NT\$0
The supervisor's remuneration for the year ended December 31, 2019 was NT\$0
The company has established an audit committee, so there is no supervisor's remuneration.

(5) The principles of remuneration policy

Employee: the salary of the company's employees is determined by referring to the salary market, the company's operating conditions and the organizational structure.

Director and manager: the reference should be made to the usual level of payment in the industry, and the reasonableness of the relationship between personal performance, company operating performance and future risks should be considered.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Gallant Precision Machining Co., Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Gallant Precision Machining Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GALLANT PRECISION MACHINING CO., LTD.

By

Chairman

March 16, 2021

REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of the other independent accountants, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and 「Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020」 and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”) for the year ended December 31, 2020. 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, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Evaluation of inventories

Description

Gallant Precision Machining Co., Ltd. and its subsidiaries are primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(12) of the consolidated financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the consolidated financial statements. The inventories and allowance for inventory valuation loss amounting to NT1,007,962 thousand and NT176,220 thousand as of December 31, 2020 are disclosed in Note 6(6) of the consolidated financial statements.

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

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

Revenue recognition

Description

Refer to Note 4(27) and Note 6(19) of the consolidated financial statements for accounting policies on revenue recognition and the description of significant accountings – operating revenue.

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

How our audit addressed the matter

Our audit procedures performed included the following:

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

Other matter - Reference to the audits of other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the audit reports of the other independent accountants. The balance of investment accounted for under equity method was NT\$0 thousand and NT\$63,780 thousand,

constituting 0% and 1% of consolidated total assets as of December 31, 2020 and 2019, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method was NT(\$4,802) thousand and NT(\$9,070) thousand, constituting (2.08%) and (4.05%) of consolidated total comprehensive income for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

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, 2020 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 16, 2021

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, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,584,069	26	\$ 929,712	14
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	120,353	2
1136	Financial assets at amortized cost - current	6(4)	702,752	12	826,942	13
1150	Notes receivable, net	6(5)	14,411	-	48,652	1
1170	Accounts receivable, net	6(5)	1,554,642	26	2,338,746	36
1180	Accounts receivable to related parties, net	7	10,605	-	-	-
1200	Other receivables		9,431	-	11,446	-
1210	Other receivables to related parties	7	-	-	40,179	1
130X	Inventories, net	6(6)	831,742	14	938,235	14
1410	Prepayments		77,328	1	38,745	1
1470	Other current assets		12,301	-	11,577	-
11XX	Current Assets		<u>4,797,281</u>	<u>79</u>	<u>5,304,587</u>	<u>82</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	167,966	3	103,462	2
1535	Financial assets at amortized cost - non-current	6(4) and 8	22,615	-	22,227	-
1550	Investments accounted for using equity method	6(7)	-	-	63,780	1
1600	Property, plant and equipment, net	6(8) and 8	720,976	12	588,628	9
1755	Right-of-use assets	6(9)	258,063	4	244,535	4
1780	Intangible assets, net		20,536	-	25,692	-
1840	Deferred income tax assets	6(26)	95,922	2	95,031	2
1900	Other non-current assets		12,711	-	5,918	-
15XX	Non-current assets		<u>1,298,789</u>	<u>21</u>	<u>1,149,273</u>	<u>18</u>
1XXX	Total assets		<u>\$ 6,096,070</u>	<u>100</u>	<u>\$ 6,453,860</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, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term loans	6(10)	\$ 1,054,410	17	\$ 1,118,987	17
2130	Contract liabilities-current	6(19)	267,883	4	144,695	2
2170	Accounts payable	6(11)	1,066,830	18	968,510	15
2180	Accounts payable - related parties	7	34,274	1	27,550	1
2200	Other payables	6(12)	281,619	5	321,108	5
2220	Other payables - related parties	7	470	-	-	-
2230	Current income tax liabilities		17,824	-	38,597	1
2250	Provisions for liabilities-current		126,136	2	143,885	2
2280	Lease liabilities-current		19,472	-	16,864	-
2300	Other current liabilities	6(13)	33,844	1	27,699	-
21XX	Current Liabilities		<u>2,902,762</u>	<u>48</u>	<u>2,807,895</u>	<u>43</u>
Non-current liabilities						
2540	Long-term loans	6(13)	128,050	2	453,472	7
2570	Deferred income tax liabilities	6(26)	98,856	1	69,632	1
2580	Lease liabilities-non-current		242,838	4	229,617	4
2600	Other non-current liabilities	6(14)	51,605	1	72,808	1
25XX	Non-current liabilities		<u>521,349</u>	<u>8</u>	<u>825,529</u>	<u>13</u>
2XXX	Total Liabilities		<u>3,424,111</u>	<u>56</u>	<u>3,633,424</u>	<u>56</u>
Equity attributable to owners of parent company						
Share capital						
3110	Share capital-common stock	6(15)	1,651,361	27	1,651,361	26
Capital surplus						
3200	Capital surplus	6(16)	187,088	3	199,091	3
Retained earnings						
3310	Legal reserve	6(17)	148,486	2	123,722	2
3320	Special reserve		132,987	2	132,987	2
3350	Unappropriated retained earnings		254,070	4	375,897	6
Other equity interest						
3400	Other equity interest	6(18)	(48,346)	-	(96,405)	(2)
3500	Treasury share	6(15)	(108,425)	(2)	-	-
31XX	Equity attributable to owners of the parent company		<u>2,217,221</u>	<u>36</u>	<u>2,386,653</u>	<u>37</u>
36XX	Non-controlling interest		<u>454,738</u>	<u>8</u>	<u>433,783</u>	<u>7</u>
3XXX	Total equity		<u>2,671,959</u>	<u>44</u>	<u>2,820,436</u>	<u>44</u>
Contingent liabilities and unrecognised contract commitments 9						
Significant events after the balance sheet date 11						
3XX	Total liabilities and equity		<u>\$ 6,096,070</u>	<u>100</u>	<u>6,453,860</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)

Items	Notes	Years ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19)	\$ 3,460,391	100	\$ 4,236,015	100
5000	Operating costs	6(6)(24)(25)	(2,639,968)	(76)	(3,005,394)	(71)
5900	Net operating margin		<u>820,423</u>	<u>24</u>	<u>1,230,621</u>	<u>29</u>
	Operating expenses	6(24)(25)				
6100	Selling expenses		(133,656)	(4)	(183,134)	(4)
6200	General and administrative expenses		(275,168)	(8)	(309,116)	(7)
6300	Research and development expenses		(298,701)	(9)	(307,787)	(7)
6450	Expected credit impairment loss (gain)	12(2)	(35,289)	(1)	(71,458)	(2)
6000	Total operating expenses		<u>(742,814)</u>	<u>(22)</u>	<u>(871,495)</u>	<u>(20)</u>
6900	Operating profit		<u>77,609</u>	<u>2</u>	<u>359,126</u>	<u>9</u>
	Non-operating income and expenses					
7100	Interest income	6(20)	14,002	1	21,398	-
7010	Other income	6(21)	207,219	6	38,600	1
7020	Other gains and losses	6(22)	(61,823)	(2)	(13,600)	-
7050	Finance costs	6(23)	(26,443)	(1)	(36,205)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	(4,802)	-	(9,070)	-
7000	Total non-operating income and expenses		<u>128,153</u>	<u>4</u>	<u>1,123</u>	<u>-</u>
7900	Profit before tax		<u>205,762</u>	<u>6</u>	<u>360,249</u>	<u>9</u>
7950	Income tax expense	6(26)	(45,144)	(1)	(70,343)	(2)
8200	Profit for the year		<u>\$ 160,618</u>	<u>5</u>	<u>\$ 289,906</u>	<u>7</u>
	Other comprehensive income for the year					
	Items that will not be reclassified subsequently to profit or loss:					
8311	Loss on remeasurements of defined benefit plan	6(14)	\$ 1,130	-	(\$ 1,520)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(18)	64,504	2	(21,562)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(13,046)	-	4,277	-
8310	Items that will not be reclassified subsequently to profit or loss:		<u>52,588</u>	<u>2</u>	<u>(18,805)</u>	<u>(1)</u>
	Items that may be reclassified subsequently to profit or loss:					
8361	Cumulative translation differences of foreign operations	6(18)	17,639	-	(47,316)	(1)
8360	Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>17,639</u>	<u>-</u>	<u>(47,316)</u>	<u>(1)</u>
8300	Other comprehensive (loss) income for the year		<u>\$ 70,227</u>	<u>2</u>	<u>(\$ 66,121)</u>	<u>(2)</u>
8500	Total comprehensive income for the year		<u>\$ 230,845</u>	<u>7</u>	<u>\$ 223,785</u>	<u>5</u>
	Profit attributable to:					
8610	Equity holders of the parent company		\$ 149,511	5	\$ 249,158	6
8620	Non-controlling interest		11,107	-	40,748	1
	Profit for the year		<u>\$ 160,618</u>	<u>5</u>	<u>\$ 289,906</u>	<u>7</u>
	Total comprehensive income attributable to:					
8710	Equity holders of the parent company		\$ 198,700	6	\$ 183,704	4
8720	Non-controlling interest		32,145	1	40,081	1
	Total comprehensive income for the year		<u>\$ 230,845</u>	<u>7</u>	<u>\$ 223,785</u>	<u>5</u>
	Basic earnings per share	6(27)				
9750	Profit for the year		<u>\$ 0.93</u>		<u>\$ 1.51</u>	
	Diluted earnings per share	6(27)				
9850	Profit for the year		<u>\$ 0.92</u>		<u>\$ 1.49</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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent							Total	Non-controlling interest	Total equity
	Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(loss) on financial assets at fair value through other comprehensive income				Treasury share
For the year ended December 31, 2019										
Balance at January 1, 2019	\$ 1,651,361	\$ 199,091	\$ 86,712	\$ 132,987	\$ 379,946	\$ 64,286	\$ 31,815	\$ -	\$ 442,905	\$ 2,860,531
Profit for the year	-	-	-	-	249,158	-	-	-	40,748	289,906
Other comprehensive income for the year	-	-	-	-	(1,520)	(35,414)	(28,520)	-	667	(66,121)
Total comprehensive income for the year	-	-	-	-	247,638	(35,414)	(28,520)	-	40,081	223,785
Distribution of 2018 earnings:										
Legal reserve	-	-	37,010	-	(37,010)	-	-	-	-	-
Cash dividends	-	-	-	-	(214,677)	-	-	-	-	(214,677)
Recognition of changes in equities of subsidiaries	-	-	-	-	-	-	-	-	(12,889)	(12,889)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	(36,314)	(36,314)
Balance at December 31, 2019	\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 375,897	\$ 99,700	\$ 3,295	\$ -	\$ 433,783	\$ 2,820,436
For the year ended December 31, 2020										
Balance at January 1, 2020	\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 375,897	\$ 99,700	\$ 3,295	\$ -	\$ 433,783	\$ 2,820,436
Profit for the year	-	-	-	-	149,511	-	-	-	11,107	160,618
Other comprehensive income for the year	-	-	-	-	1,130	19,126	28,933	-	21,038	70,227
Total comprehensive income for the year	-	-	-	-	150,641	19,126	28,933	-	32,145	230,845
Distribution of 2019 earnings:										
Legal reserve	-	-	24,764	-	(24,764)	-	-	-	-	-
Cash dividends	-	-	-	-	(247,704)	-	-	-	-	(247,704)
Recognition of changes in equities of associates	-	(12,003)	-	-	-	-	-	-	-	(12,003)
Treasury stock acquired	-	-	-	-	-	-	(108,425)	(108,425)	-	(108,425)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	(11,190)	(11,190)
Balance at December 31, 2020	\$ 1,651,361	\$ 187,088	\$ 148,486	\$ 132,987	\$ 254,070	\$ 80,574	\$ 32,228	\$ 108,425	\$ 454,738	\$ 2,671,959

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the year		\$ 205,762	\$ 360,249
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8)(9)(24)	53,330	47,776
Amortization	6(24)	14,791	38,062
Expected credit impairment loss (gain)	12(2)	35,289	71,458
Gain on financial assets or liabilities at fair value through profit or loss, net	6(22)	(60)	(1,207)
Interest expense	6(23)	26,443	36,205
Interest income	6(20)	(14,002)	(21,398)
Dividend income	6(21)	(1,880)	(2,889)
Share of profit of associates and joint ventures accounted for using equity method		4,802	9,070
(Gain)/loss on disposal of property, plant and equipment, net	6(22)	1,312	30
Gain on disposal of investments accounted for using equity method	6(22)	(20,221)	(3,012)
Gain on lease modification	6(22)	(322)	(6)
Impairment loss from non – financial assets	6(22)	-	965
Gain recognized in bargain purchase transaction	6(21)	(30,893)	-
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		120,413	159,563
Notes receivable		37,286	(4,357)
Accounts receivable		808,197	(626,326)
Accounts receivable - related parties		(10,605)	-
Other receivables		(4,065)	9,359
Other receivables - related parties		178	(40,186)
Inventories		138,712	280,668
Prepayments		(24,010)	(4,591)
Other current assets		(767)	421
Other non-current assets		132	78
Net changes in liabilities relating to operating activities			
Contract liabilities		121,581	75,951
Accounts payable		84,344	(591,294)
Accounts payable - related parties		6,067	20,594
Other payables		(51,091)	(64,567)
Other payables - related parties		470	-
Provisions for liabilities		(18,121)	(43,308)
Unearned receipts		4,927	(1,559)
Other current liabilities		3,566	1,891
Net defined benefit liabilities		(21,688)	(8,118)
Cash generated from operations		1,469,877	(300,478)
Interest received		27,227	15,730
Dividends received		1,675	2,592
Interest paid		(28,966)	(36,680)
Income tax paid		(56,157)	(69,039)
Net cash provided by (used in) operating activities		<u>1,413,656</u>	<u>(387,875)</u>

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortized cost		\$ 131,897	\$ 12,189
Acquisition of investments accounted for under equity method		-	(29,540)
Acquisition of subsidiaries (after deduction of cash received)	6(28)	(5,262)	-
Proceeds from disposal of investments accounted for under equity method	6(7)	42,879	-
Acquisition of property, plant and equipment	6(29)	(48,704)	(12,050)
Proceeds from disposal of property, plant and equipment		-	586
Acquisition of intangible assets		(9,861)	(2,912)
Refundable deposits refunded (paid)		(6,511)	57
Net decrease in cash due to changes in consolidated entities		-	(3,860)
Net cash provided by (used in) investing activities		<u>104,438</u>	<u>(35,530)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITY</u>			
Proceeds from short-term loan	6(30)	2,533,946	2,749,072
Repayment of short-term loan	6(30)	(2,666,523)	(2,365,206)
Proceeds from long-term loan	6(30)	68,000	350,000
Repayment of long-term loan	6(30)	(394,696)	(383,861)
Guarantee deposits paid (refunded)	6(30)	1,195	(99)
Treasure stock acquired	6(15)	(108,425)	-
Repayment of the principal portion of lease liabilities	6(30)	(19,516)	(18,749)
Cash dividends paid		(284,019)	(250,991)
Decrease in non-controlling interests		(605)	-
Net cash provided by (used in) financing activities		<u>(870,643)</u>	<u>80,166</u>
Effect of fluctuations in exchange rate		6,906	(20,848)
Net increase (decrease) in cash and cash equivalents		654,357	(364,087)
Cash and cash equivalents at beginning of year	6(1)	929,712	1,293,799
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,584,069</u>	<u>\$ 929,712</u>

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANIZATION

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

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

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company’s stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011. The equity interest in Gallant Micro. Machining Co., Ltd. held by the Company as of December 31, 2020 was 57.19%.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 16, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) and IFRS 7 “Financial Instruments: Disclosures” - Interest Rate Benchmark Reform	January 1, 2020
Amendments to IFRS 16, “Covid-19-related rent concessions”	June 1, 2020(Note)
Note: Early application from January 1, 2020 is allowed by the FSC.	

The above standards and interpretations have no significant impact to the Group financial condition and operating result based on the Group assessment.

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

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

The above standards and interpretations have no significant impact to the Group financial condition and operating result based on the Group assessment.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance Contracts'	January 1, 2023
IFRS 1, Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative – Accounting Policies	January 1, 2023
Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates	January 1, 2023

Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) .

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

<u>Name of Investor</u>	<u>Name of subsidiary</u>	<u>Main Business Activities</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	57.19	57.19	
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd. (the "GRC")	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI) Ltd.(the GPM(BVI))	Investing in Gallant Precision Machinery (Xiamen) Co., Ltd.	100	100	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd. (the "CZE")	Investing in Gallant Technology (Shenzhen) Co., Ltd.	-	100	Note 1
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the "KMC")	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd. (the "GMMM")	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	100	100	
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	
KMC	Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	
GPM(BVI)	Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	
CZE	Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	-	100	Note 1
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	100	100	
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co.,Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	60	60	
Gallant International Trading Co., Ltd.	Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	-	100	Note 4
Gallant Precision Machining Co., Ltd.	Utron Technologies Corp	Testing of wire and tools and testing equipment of PBC and related systems	76.02	42.2	Note 2
Utron Technologies Corp	U Pin Precision Co., Ltd.	Planning, development, design and manufacturing of electrical logging fixture	-	69.04	Note 2 Note 3

Note1: The subsidiary has been completed the dissolution and liquidation procedures in June 30, 2020. The Group recognized loss on disposal of investment amounted to \$1,632.

Note2: The Group acquired share of Utron Technologies Corp in January 2020. As the Group has substantial control over the company, the investment has been included in the consolidated financial statement.

Note3: The Group disposed of all the shares of U PIN PRECISION CO., LTD. in May 2020, the investment has not been included in the consolidated financial statement.

Note1: The subsidiary has been completed the dissolution and liquidation procedures in October 2020.

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

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

E. Significant restrictions: None.

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

As of December 31, 2020 and 2019, the non-controlling interest amounted to \$454,738 and \$433,783, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2020		December 31, 2019	
		Amount	Ownership (%)	Amount	Ownership(%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$401,998	42.81	\$392,109	42.81

Summarised financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	December 31, 2020	December 31, 2019
Current assets	\$ 1,364,254	\$ 1,226,187
Non-current assets	587,931	364,009
Current liabilities	(732,325)	(506,746)
Non-current liabilities	(264,965)	(167,522)
Total net assets	\$ 954,895	\$ 915,928

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	Year ended	Year ended
	December 31, 2020	December 31, 2019
Revenue	\$ 877,331	\$ 758,006
Profit before income tax	\$ 58,453	\$ 106,877
Income tax expense	(23,185)	(21,448)
Profit for the year from continuing operations	35,268	85,429
Loss from discontinued operations	-	-
Profit for the year	35,268	85,429
Other comprehensive income, net of tax	63,405	(1,154)
Total comprehensive income for the year	\$ 98,673	\$ 84,275
Comprehensive income attributable to non-controlling interest	\$ 46,204	\$ 35,810
Dividends paid to non-controlling interest	\$ 36,314	\$ 36,314

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	Year ended	Year ended
	December 31, 2020	December 31, 2019
Net cash provided by (used in) operating activities	\$ 91,010	\$ 184,597
Net cash provided by (used in) investing activities	(228,400)	(71,575)
Net cash provided by (used in) financing activities	(42,414)	(71,701)
Effect of exchange rates on cash and cash equivalents	1,263	(13,973)
Increase (decrease) in cash and cash equivalents	(178,541)	27,348
Cash and cash equivalents, beginning of year	535,320	507,972
Cash and cash equivalents, end of year	\$ 356,779	\$ 535,320

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that periods; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settle within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settle within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. The Group's related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.

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

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

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

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

(8) Financial assets at amortised cost

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

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

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

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

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

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

(13) Investments accounted for using equity method / associates

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

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

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

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item

will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(15) Leased assets/ leases (lessee)

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

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

Fixed payments, less any lease incentives receivable;

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract

modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- a. The amount of the initial measurement of lease liability;
- b. Any initial direct costs incurred by the lessee;

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Intangible assets

A. Computer software

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

B. Other intangible assets

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

(18) Impairment of non-financial assets

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

(19) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Provisions

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i . Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit

obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

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

C. Termination benefits

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

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

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

(24) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates

positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Share capital

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

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

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

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

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

B. Sales of services

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

(28) Government grants

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

(29) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairmen of Board that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$831,742.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 302	\$ 262
Checking accounts	26	26
Demand deposits	1,583,741	929,424
Total	<u>\$ 1,584,069</u>	<u>\$ 929,712</u>

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

B. As of December 31, 2020 and 2019, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-non-current. Please refer to note 8.

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Beneficiary certificates	\$ -	\$ 120,023
Valuation adjustment	-	330
	<u>\$ -</u>	<u>\$ 120,353</u>

A. The Group recognized net gain of \$60 and \$1,207 on financial assets and liabilities designated as at fair value through profit or loss for the years ended 2020 and 2019, respectively.

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

C. Information relating to price risk and fair market value are provided in Note 12(2) and (3).

(3) Financial Assets at Fair Value Through Other Comprehensive Income

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Non-Listed and non-otc stocks	\$ 73,907	\$ 73,907
Valuation adjustment	94,059	29,555
Total	<u>\$ 167,966</u>	<u>\$ 103,462</u>

A. The Group has elected to classify investments that are considered to be strategic investments in Shinyu Light Co., Ltd., PHOENIX & COPRORATION and POWER EVER ENTERPRISES LIMITED as financial assets at fair value through other comprehensive income. As at December 31, 2020 and 2019, the fair value of such investments amounted to \$167,966 and \$103,462, respectively.

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

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	<u>\$ 64,504</u>	<u>(\$ 28,520)</u>
Dividend income recognized in profit or loss held at end of period	<u>\$ 1,880</u>	<u>\$ 2,889</u>

(4) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Time deposits	\$ 702,752	\$ 826,942
Non-current items:		
Time deposits	22,615	22,227
Total	<u>\$ 725,367</u>	<u>\$ 849,169</u>

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

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

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

(5) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	<u>\$ 14,411</u>	<u>\$ 48,652</u>
Accounts receivable	<u>\$ 1,754,150</u>	<u>\$ 2,502,954</u>
Accounts receivable - related parties	10,605	-
Less: allowance for bad debts	<u>(199,508)</u>	<u>(164,208)</u>
	<u>\$ 1,565,247</u>	<u>\$ 2,338,746</u>

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

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,456,763	\$ 14,411	\$ 2,040,160	\$ 48,652
Up to 90 days	74,216	-	251,718	-
91 to 120 days	18,705	-	17,341	-
Over 120 days	215,071	-	193,735	-
	<u>\$ 1,764,755</u>	<u>\$ 14,411</u>	<u>\$ 2,502,954</u>	<u>\$ 48,652</u>

The above ageing analysis was based on past due date.

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

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

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 121,831	(\$ 25,373)	\$ 96,458
Work in progress	739,556	(86,973)	652,583
Finished goods	143,615	(63,874)	79,741
Inventory in transit	2,960	-	2,960
Total	<u>\$ 1,007,962</u>	<u>(\$ 176,220)</u>	<u>\$ 831,742</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 86,531	(\$ 16,412)	\$ 70,119
Work in progress	859,667	(113,052)	746,615
Finished goods	123,719	(18,804)	104,915
Inventory in transit	16,586	-	16,586
Total	<u>\$ 1,086,503</u>	<u>(\$ 148,268)</u>	<u>\$ 938,235</u>

The cost of inventories recognized as expense for the year:

	Year ended	Year ended
	December 31, 2020	December 31, 2019
Cost of goods sold	\$ 2,610,936	\$ 3,026,070
(Gain on reversal of decline) loss on decline in market value	27,952	(27,249)
Loss on disposal inventory	1,080	6,573
	<u>\$ 2,639,968</u>	<u>\$ 3,005,394</u>

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

(7) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates		
Gallant Biotech (Suzhou) Co., Ltd.	\$ -	\$ 8,189
Utron Technologies Corp	-	25,443
Sunengine Co., Ltd.	-	30,148
Total	<u>\$ -</u>	<u>\$ 63,780</u>

- A. In the first quarter of 2019, Gallant Biotech (Suzhou) Co., Ltd. increased capital by issue new shares, but the Group did not acquire shares. As a result, the investment was accounted using equity method after control was lost. The Group sold all of the shares with a sale price of \$21,374 in June 2020 and recognized gain on disposal of investment amounting to \$17,502.
- B. The Group held of 76.02% ownership and has control over Utron Technologies Corp, the investment has been included in the consolidated financial statement.
- C. The Group sold all of the shares of Sunengine Co., Ltd. in August 2020, with a sale price of \$21,505 and recognized loss on disposal of investment amounting to \$1,497.
- D. Associates

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results:

As at December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$0 and \$63,780, respectively.

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Profit for the period from continuing operations	\$ 16,052	(\$ 47,105)
Total comprehensive income	<u>\$ 16,052</u>	<u>(\$ 47,105)</u>

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Total
At January 1, 2020							
Cost	\$ 39,130	\$ 593,791	\$ 116,026	\$ 33,504	\$ 65,682	\$ 28,964	\$ 877,097
Accumulated depreciation and impairment	- (144,453)	(90,884)	(19,285)	(17,491)	(16,356)	(17,491)	(288,469)
2020	\$ 39,130	\$ 449,338	\$ 25,142	\$ 14,219	\$ 49,326	\$ 11,473	\$ 588,628
Opening net book amount as at anuary 1	\$ 39,130	\$ 449,338	\$ 25,142	\$ 14,219	\$ 49,326	\$ 11,473	\$ 588,628
Additions	-	-	7,352	5,095	-	35,558	48,005
Additions - acquired through business combinations	95,556	10,736	4,001	386	-	4,108	114,787
Disposals	-	(1,228)	(81)	(3)	(1,312)	(5,081)	(8,000)
Reclassifications	-	-	-	-	-	5,081	5,081
Depreciation charge	(12,326)	(5,303)	(5,851)	(1,288)	(1,288)	(6,646)	(31,414)
Transferred out due to disposal of subsidiaries	-	(3,517)	(99)	(173)	(3,789)	(3,789)	(7,678)
Net exchange differences	(44)	204	72	758	-	990	1,276
Closing net book amount as at December 31	\$ 134,686	\$ 447,704	\$ 26,651	\$ 13,741	\$ 48,038	\$ 50,156	\$ 720,976
At December, 31, 2020							
Cost	\$ 134,686	\$ 604,467	\$ 112,531	\$ 32,802	\$ 65,682	\$ 71,388	\$ 1,021,556
Accumulated depreciation and impairment	(156,763)	(85,880)	(17,644)	(21,232)	(17,644)	(21,232)	(300,580)
	\$ 134,686	\$ 447,704	\$ 26,651	\$ 13,741	\$ 48,038	\$ 50,156	\$ 720,976

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Construction in progress and equipment under installation	Total
At January 1, 2019								
Cost	\$ 39,130	\$ 598,415	\$ 122,736	\$ 39,940	\$ 66,694	\$ 43,664	\$ 6,029	\$ 916,608
Accumulated depreciation and impairment	-	(136,882)	(90,963)	(21,323)	(16,068)	(28,875)	-	(294,111)
	<u>\$ 39,130</u>	<u>\$ 461,533</u>	<u>\$ 31,773</u>	<u>\$ 18,617</u>	<u>\$ 50,626</u>	<u>\$ 14,789</u>	<u>\$ 6,029</u>	<u>\$ 622,497</u>
2019								
Opening net book amount as at January 1	\$ 39,130	\$ 461,533	\$ 31,773	\$ 18,617	\$ 50,626	\$ 14,789	\$ 6,029	\$ 622,497
Additions	-	82	774	3,879	-	2,160	-	6,895
Disposals	-	-	(1,738)	(1,707)	-	(1,140)	(6,029)	(10,614)
Depreciation charge	-	(12,262)	(5,061)	(6,408)	(1,300)	(4,265)	-	(29,296)
Net exchange differences	-	(15)	(606)	(162)	-	(71)	-	(854)
Closing net book amount as at December 31	<u>\$ 39,130</u>	<u>\$ 449,338</u>	<u>\$ 25,142</u>	<u>\$ 14,219</u>	<u>\$ 49,326</u>	<u>\$ 11,473</u>	<u>\$ -</u>	<u>\$ 588,628</u>
At December, 31, 2019								
Cost	\$ 39,130	\$ 593,791	\$ 116,026	\$ 33,504	\$ 65,682	\$ 28,964	\$ -	\$ 877,097
Accumulated depreciation and impairment	-	(144,453)	(90,884)	(19,285)	(16,356)	(17,491)	-	(288,469)
	<u>\$ 39,130</u>	<u>\$ 449,338</u>	<u>\$ 25,142</u>	<u>\$ 14,219</u>	<u>\$ 49,326</u>	<u>\$ 11,473</u>	<u>\$ -</u>	<u>\$ 588,628</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the years ended December 31, 2020 and 2019, respectively.

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

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

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

(9) Leasing arrangements – lessee

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 205,986	\$ 214,408
Buildings	52,045	29,875
Office equipment (multifunction printers)	32	252
Transportation equipment (business vehicles)	-	-
	<u>\$ 258,063</u>	<u>\$ 244,535</u>

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,973	\$ 6,022
Buildings	15,723	12,085
Office equipment (multifunction printers)	220	238
Transportation equipment (business vehicles)	-	135
	<u>\$ 21,916</u>	<u>\$ 18,480</u>

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$51,278 and \$0, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 6,121	\$ 5,119
Expense on short-term lease contracts	14,799	13,531
Expense on leases of low-value assets	187	122

- F. For the years ended December 31, 2020 and 2019, respectively, the Group's total cash outflow for leases were \$40,623 and \$37,521, respectively.
- G. Extension and termination options

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

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 1,054,410	0.63%~1.34%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 1,118,987	1.08%~2.90%	None

(11) Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	\$ 938,932	\$ 848,802
Accrued accounts payable	127,898	119,708
	<u>\$ 1,066,830</u>	<u>\$ 968,510</u>

(12) Others accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued salaries	\$ 154,203	\$ 173,863
Accrued employees' bonuses and directors' remuneration	49,028	82,939
Payables on equipment - Fixed assets	385	1,084
Payables on equipment - Intangible assets	50	277
Others	77,953	62,945
	<u>\$ 281,619</u>	<u>\$ 321,108</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.18%	Note A	\$ 70,643
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.05%	Note A	11,500
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments.	1.27%	Note A	64,600
				146,743
Less: current portion				(18,693)
				<u>\$ 128,050</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 23,206
Unsecured borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	6,197
Mortgage borrowings	Borrowing period is from September 27, 2019 to September 27, 2021; interest is repayable monthly and principal is repayable in September, 2021.	1.36%	Note A Note B	350,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	76,786
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	17,250
				473,439
Less: current portion				(19,967)
				\$ 453,472

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

Note B:

- (a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to \$800 million with the bank on September 27, 2019. The Company also applied for a drawdown of \$350,000 from the credit line granted by the bank in September, 2019. The borrowings has been repaid in September 2020.
- (b) According to the notice of credit between the Company and the bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:
 - i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).
 - ii . Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.
 - iii. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT\$2,200,000 (inclusive).

(14) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism

under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% and 7% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 59,040)	(\$ 78,079)
Fair value of plan assets	<u>36,522</u>	<u>32,742</u>
Net defined benefit liability	<u>(\$ 22,518)</u>	<u>(\$ 45,337)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2020			
Balance at January 1	(\$ 78,079)	\$ 32,742	(\$ 45,337)
Current service cost	(381)	-	(381)
Interest (expense) income	(521)	210	(311)
Past service cost	-	-	-
	<u>(78,981)</u>	<u>32,952</u>	<u>(46,029)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	1,019	1,019
Change in demographic assumptions	(119)	-	(119)
Change in financial assumptions	(2,723)	-	(2,723)
Experience adjustments	<u>2,953</u>	<u>-</u>	<u>2,953</u>
	<u>111</u>	<u>1,019</u>	<u>1,130</u>
Pension fund contribution	-	6,379	6,379
Paid pension	<u>19,830</u>	<u>(3,828)</u>	<u>16,002</u>
Balance at December 31	<u>(\$ 59,040)</u>	<u>\$ 36,522</u>	<u>(\$ 22,518)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	(\$ 77,603)	\$ 25,672	(\$ 51,931)
Current service cost	(526)	-	(526)
Interest (expense) income	(768)	289	(479)
Past service cost	2,426	-	2,426
	<u>(76,471)</u>	<u>25,961</u>	<u>(50,510)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	784	784
Change in demographic Assumptions	(434)	-	(434)
Change in financial Assumptions	(1,895)	-	(1,895)
Experience adjustments	27	-	27
	<u>(2,302)</u>	<u>784</u>	<u>(1,518)</u>
Pension fund contribution	-	6,691	6,691
Paid pension	694	(694)	-
Balance at December 31	<u>(\$ 78,079)</u>	<u>\$ 32,742</u>	<u>(\$ 45,337)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	<u>0.35%</u>	<u>0.75%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31,2020				
Effect on present value of defined benefit obligation	<u>(\$ 1,731)</u>	<u>\$ 1,805</u>	<u>\$ 1,771</u>	<u>(\$ 1,708)</u>
December 31,2019				
Effect on present value of defined benefit obligation	<u>(\$ 1,854)</u>	<u>\$ 1,932</u>	<u>\$ 1,903</u>	<u>(\$ 1,836)</u>

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

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

(f) Expected contributions to the defined benefit pension plans of the Group in the year ended December 31, 2021 amount to \$7,116.

(h) As of December 31, 2020, the weighted average duration of that retirement plan is 11 year. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,201
1-2 year(s)		1,822
2-5 years		6,099
Over 5 years		52,081
	<u>\$</u>	<u>61,203</u>

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

(b) Gallant Precision Industries (Suzhou) Co., Ltd., Gallant Micro. Machining (Suzhou) Co., Ltd., Gallant Precision Machinery (Xiamen) Co., Ltd., Gallant Precision Intelligence Technology Co., Ltd. and Gallant International Trading Co., Ltd. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC.) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 10% to 20%. Other than the monthly contributions, the Group has no further obligations.

(c) Gallant-Rapid Corporation Ltd., Gallant Micro Machining (Malaysia) Sdn. Bhd. Ltd., King Mechatronics Co., Ltd., and Gallant Precision Machinery (BVI) Ltd. did not have a pension plan.

- (d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$27,647 and \$34,564, respectively.
- (e) From February to December 2020, due to the impact of COVID-19, the Ministry of Human Resources and Social Security of China announced that part of the pension insurance fund was exempted, which was amounting to \$5,159.

(15) Share capital

- A. As of December 31, 2020, the Company's authorized capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,651,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Unit: shares in thousands	
	Year ended	Year ended
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
At January 1	165,136	165,136
Treasury share acquired	(6,000)	-
At December 31	<u>159,136</u>	<u>165,136</u>

- B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousands shares of the Company. All the acquired shares will be reissued to employees. As of December 30, 2020, the Company has acquired 6,000 thousands shares.

C. Treasury shares

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

Name of company holding the shares	Reason for reacquisition	<u>December 31, 2020</u>	
		<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	6,000	\$ 108,425

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(16) Capital surplus

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

B. Details of Capital surplus:

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Net change in equity of subsidiaries	Employee stock option	Total
At January 1, 2020	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,003	\$ 12,326	\$ 4,446	\$ 199,091
Disposals investment of associates	-	-	-	(12,003)	-	-	(12,003)
At December 31, 2020	<u>\$ 127,167</u>	<u>\$ 31,399</u>	<u>\$ 11,750</u>	<u>\$ -</u>	<u>\$ 12,326</u>	<u>\$ 4,446</u>	<u>\$ 187,088</u>

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Net change in equity of associates	Employee stock option	Total
At January 1, 2019 and At December 31, 2019	<u>\$ 127,167</u>	<u>\$ 31,399</u>	<u>\$ 11,750</u>	<u>\$ 12,003</u>	<u>\$ 12,326</u>	<u>\$ 4,446</u>	<u>\$ 199,091</u>

(17) Retained earnings

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

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of the date of transition, the Company recognized \$132,987 special reserve.
- D. On June 17, 2020 and June 25, 2019, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2019 and 2018 were as following:

	2019		2018	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ 24,764	\$ -	\$ 37,010	\$ -
Cash dividends	247,704	1.556	214,677	1.300
Total	<u>\$ 272,468</u>	<u>\$ 1.556</u>	<u>\$ 251,687</u>	<u>\$ 1.300</u>

E. On March 16, 2021, the Board of Directors resolved for the distribution of dividends from 2020 earnings amounting to \$159,136(\$1 (in dollars) per share).

(18) Other equity items

	Year ended December 31, 2020		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 3,295	(\$ 99,700)	(\$ 96,405)
Revaluation - group	28,825	-	28,825
Revaluation - tax	108	-	108
Revaluation transferred to profit and loss – liquidation of subsidiary	-	1,360	1,360
Currency translation differences:–group	-	17,766	17,766
At December 31	<u>\$ 32,228</u>	<u>(\$ 80,574)</u>	<u>(\$ 48,346)</u>

	Year ended December 31, 2019		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 31,815	(\$ 64,286)	(\$ 32,471)
Revaluation - group	(38,688)	-	(38,688)
Revaluation – tax	10,168	-	10,168
Currency translation differences:–group	-	(35,414)	(35,414)
At December 31	<u>\$ 3,295</u>	<u>(\$ 99,700)</u>	<u>(\$ 96,405)</u>

(19) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from Contracts with Customers	<u>\$ 3,460,391</u>	<u>\$ 4,236,015</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2020	Taiwan	China	Other	Total
Total segment revenue	\$ 1,498,505	\$ 2,331,388	\$ 81,325	\$ 3,911,218
Inter-segment revenue	(374,156)	(76,671)	-	(450,827)
Revenue from external customer contracts	<u>\$ 1,124,349</u>	<u>\$ 2,254,717</u>	<u>\$ 81,325</u>	<u>\$ 3,460,391</u>
Timing of revenue recognition				
At a point in time	\$ 1,102,631	\$ 2,245,754	\$ 79,802	\$ 3,428,187
Over time	21,718	8,963	1,523	32,204
	<u>\$ 1,124,349</u>	<u>\$ 2,254,717</u>	<u>\$ 81,325</u>	<u>\$ 3,460,391</u>

Year ended December 31, 2019	Taiwan	China	Other	Total
Total segment revenue	\$ 1,641,862	\$ 2,841,949	\$ 58,835	\$ 4,542,646
Inter-segment revenue	(282,587)	(23,964)	(80)	(306,631)
Revenue from external customer contracts	<u>\$ 1,359,275</u>	<u>\$ 2,817,985</u>	<u>\$ 58,755</u>	<u>\$ 4,236,015</u>
Timing of revenue recognition				
At a point in time	\$ 1,343,275	\$ 2,815,445	\$ 57,042	\$ 4,215,762
Over time	<u>16,000</u>	<u>2,540</u>	<u>1,713</u>	<u>20,253</u>
	<u>\$ 1,359,275</u>	<u>\$ 2,817,985</u>	<u>\$ 58,755</u>	<u>\$ 4,236,015</u>

B. Contract liabilities

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

	December 31, 2020	December 31, 2019
Contract liabilities	<u>\$ 267,883</u>	<u>\$ 144,695</u>

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

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 89,164</u>	<u>\$ 64,211</u>
Total	<u>\$ 89,164</u>	<u>\$ 64,211</u>

(20) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	<u>\$ 14,002</u>	<u>\$ 21,398</u>

(21) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Rental revenue	\$ 18,526	\$ 15,441
Government subsidy income (Note)	110,381	11,295
Dividends income	1,880	2,889
Gain recognized in bargain purchase transaction	30,893	-
Others income	<u>45,539</u>	<u>8,975</u>
	<u>\$ 207,219</u>	<u>\$ 38,600</u>

Note: Government subsidy income were the salary and working capital subsidy of the Ministry of Economic Affairs for the manufacturing and technical service industries that are affected by COVID-19, as well as the income of scientific and technical subsidies.

(22) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Losses on disposal of property, plant and equipment	(\$ 1,312)	(\$ 269)
Gains on disposal of investments	20,221	3,012
Gains arising from lease modifications	322	6
Net currency exchange (losses) gains	(80,717)	(16,579)
Net gains on financial assets and liabilities at fair value through profit or loss	60	1,207
Other impairment loss	- (	965)
Other gains and losses	(397)	(12)
Total	(\$ 61,823)	(\$ 13,600)

(23) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense	\$ 26,443	\$ 36,205

(24) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 809,170	\$ 862,268
Depreciation expense	\$ 53,330	\$ 47,776
Amortization charges on intangible assets	\$ 14,791	\$ 38,062

(25) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 694,651	\$ 739,260
Labour and health insurance fees	59,331	62,398
Pension costs	28,339	33,138
Other personnel expenses	26,849	27,472
	\$ 809,170	\$ 862,268

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

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

The term "profit" used in the first paragraph refers to the profit before tax before deducting the employee compensation and director remuneration. The distribution of employee compensation

and director remuneration shall be in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders at shareholders' meeting.

- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$22,139 and \$39,008, respectively; while directors' and supervisors' remuneration was accrued at \$3,752 and \$6,612, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.8% and 2% of distributable profit of current year for the year ended December 31, 2020.

The employees' compensation and directors' and supervisors' remuneration for 2019 amounting to \$39,008 and \$6,612, respectively, as resolved by the Board of Directors on March 24, 2020 which were in agreement with those amounts recognized in the 2019 financial statements.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the period	\$ 40,491	\$ 76,901
Tax on undistributed surplus earnings	-	5,365
Prior year income tax (over) underestimation	(4,841)	(11,927)
Total current tax	<u>35,650</u>	<u>70,339</u>
Deferred tax:		
Origination and reversal of temporary differences	9,494	4
Total deferred tax	<u>9,494</u>	<u>4</u>
Income tax expense	<u>\$ 45,144</u>	<u>\$ 70,343</u>

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

	Year ended December 31, 2020	Year ended December 31, 2019
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 13,046)	\$ 4,277

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 59,398	\$ 91,928
Tax exempt income by tax regulation	8,955	-
Prior year income tax (over) underestimation	(4,841)	(11,927)
Income tax paid derived of mainland China source income	(190)	(281)
Change in assessment of realisation of deferred tax assets	(19,211)	-
Temporary difference not recognized as deferred tax assets	1,033	(14,742)
Tax on undistributed earnings	-	5,365
Tax expenses	<u>\$ 45,144</u>	<u>\$ 70,343</u>

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

	Year ended December 31, 2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	December 31
Temporary differences:					
Deferred tax assets:					
Allowance for bad debt	\$ 24,530	\$ 4,516	\$ -	\$ -	\$ 29,046
Inventory obsolescence and market price decline	26,667	1,640	-	-	28,307
Warranty provision	27,454	(3,698)	-	-	23,756
Net defined benefit liabilities	3,970	(1,134)	-	-	2,836
Unrealized exchange loss	7,802	741	-	-	8,543
Unrealized gain of financial assets at fair value through other comprehensive income	3,830	-	108	-	3,938
Others	778	(1,282)	-	-	(504)
Subtotal	<u>95,031</u>	<u>783</u>	<u>108</u>	<u>-</u>	<u>95,922</u>
Deferred tax liabilities:					
Foreign investment income using equity method	(58,538)	(4,098)	-	-	(62,636)
Gain recognized in bargain purchase transaction	-	(6,179)	-	-	(6,179)
Unrealized gain of financial assets at fair value through other comprehensive income	(11,094)	-	(13,154)	-	(24,248)
Land value increment tax	-	-	-	(5,793)	(5,793)
Subtotal	<u>(69,632)</u>	<u>(10,277)</u>	<u>(13,154)</u>	<u>(5,793)</u>	<u>(98,856)</u>
Total	<u>\$ 25,399</u>	<u>(\$ 9,494)</u>	<u>(\$ 13,046)</u>	<u>(\$ 5,793)</u>	<u>(\$ 2,934)</u>

	Year ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	\$ 17,623	\$ 6,907	\$ -	\$ 24,530
Inventory obsolescence and market price decline	33,118	(6,451)	-	26,667
Warranty provision	35,696	(8,242)	-	27,454
Net defined benefit liabilities	5,564	(1,594)	-	3,970
Unrealized exchange loss	(595)	8,397	-	7,802
Unrealized gain of financial assets at fair value through other comprehensive income	-	-	3,830	3,830
Others	(764)	1,542	-	778
Subtotal	<u>90,642</u>	<u>559</u>	<u>3,830</u>	<u>95,031</u>
Deferred tax liabilities:				
Foreign investment income using equity method	(57,975)	(563)	-	(58,538)
Unrealized gain of financial assets at fair value through other comprehensive income	(11,541)	-	447	(11,094)
Subtotal	<u>(69,516)</u>	<u>(563)</u>	<u>447</u>	<u>(69,632)</u>
Total	<u>\$ 21,126</u>	<u>(\$ 4)</u>	<u>\$ 4,277</u>	<u>\$ 25,399</u>

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 257,232</u>	<u>\$ 348,125</u>

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 149,511</u>	160,989	<u>\$ 0.93</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	1,258	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 149,511</u>	<u>162,247</u>	<u>\$ 0.92</u>

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 249,158	165,136	\$ 1.51
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	2,499	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 249,158	167,635	\$ 1.49

(28) Business combinations

- A. On January 3, 2020, the Group paid \$23,672 by cash to acquired 33.82% ordinary share of Utron Technologies Corp and held of 76.02% of the equity as of December 31, 2020, and obtained the control over Utron Technologies Corp. The company's main business are on sales of wire and fixture testing, printed circuit board testing equipment and systems . As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.
- B. The following table summarises the consideration paid for Utron Technologies Corp and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	Acquisition date	
Purchase consideration		
Cash paid	\$	23,672
Fair value of equity interest in Utron Technologies Corp, held before the business combination		25,443
Non-controlling interest		25,238
		<u>74,353</u>
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		18,410
Accounts receivable		72,491
Other accounts receivable		6,911
Inventories		42,737
Prepayments		14,374
Property, plant and equipment		114,787
Other non-current assets		690
Bank borrowings	(	76,000)
Accounts payable	(	27,417)
Other accounts payable	(	54,512)

Provisions for liabilities	(	248)
Unearned receipts	(	576)
Other current liabilities	(	118)
Deferred tax liabilities	(	5,793)
Non-controlling interest of subsidiaries	(	490)
Total identifiable net assets		<u>105,246</u>
Gain recognized in bargain purchase transaction	(\$	<u>30,893)</u>

C. Non-controlling interests was measured by the identifiable assets acquired based on the proportion of non-controlling interests.

D. The Group recognized gain in bargain purchase transaction amounting to \$30,893 due to the fair value of real estate and plant of the acquired company exceeded its book value.

E. The operating revenue included in the consolidated statement of comprehensive income since January 3, 2020 contributed by Utron Technologies Corp was \$59,457. Utron Technologies Corp also contributed profit before income tax of \$39,071 over the same period. Had Utron Technologies Corp been consolidated from January 1, 2020, the consolidated statement of comprehensive income would show operating revenue of \$59,457 and profit before income tax of \$39,071.

(29) Supplemental cash flow information

Investing activities with partial cash payments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Purchase of property, plant and equipment	\$ 48,005	\$ 6,895
Add: opening balance of payable on equipment	1,084	6,239
Less: ending balance of payable on equipment	(385)	(1,084)
Cash paid during the year	<u>\$ 48,704</u>	<u>\$ 12,050</u>

(30) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Leases liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2020	\$ 1,118,987	\$ 473,439	\$ 2,336	\$ 246,481	\$ 1,841,243
Changes in cash flow from financing activities	(132,577)	(326,696)	1,195	(19,516)	(477,594)
Changes in acquisition of subsidiaries	76,000	-	-	-	76,000
Changes in loss of control in subsidiaries	(8,000)	-	-	-	(8,000)
Interest expense	-	-	-	6,121	6,121
Payment of interest	-	-	-	(6,121)	(6,121)
Changes in other non-cash items	-	-	-	941	941
Charges in lease liabilities	-	-	-	34,404	34,404
At December 31, 2020	<u>\$ 1,054,410</u>	<u>\$ 146,743</u>	<u>\$ 3,531</u>	<u>\$ 262,310</u>	<u>\$ 1,466,994</u>

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Leases liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 735,121	\$ 507,300	\$ 2,435	\$ 267,264	\$ 1,512,120
Changes in cash flow from financing activities	383,866	(33,861)	(99)	(18,749)	331,157
Interest expense	-	-	-	5,119	5,119
Payment of interest	-	-	-	(5,119)	(5,119)
Changes in other non-cash items	-	-	-	(1,182)	(1,182)
Charges in lease liabilities	-	-	-	(852)	(852)
At December 31, 2019	<u>\$ 1,118,987</u>	<u>\$ 473,439</u>	<u>\$ 2,336</u>	<u>\$ 246,481</u>	<u>\$ 1,841,243</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Gallant Biotech (Suzhou) Co., Ltd.	Associate
Utron Technologies Corp.	Associate (Note1)
C SUN Mfg. Ltd.	Associate
C SUN(Guangzhou) Mfg. Ltd.	Associate
Sunengine Co., Ltd.	Associate (Note2)
Fujian Chengzhe Automation Technology Co., Ltd	Substantive related party

Note1: The Group increase to acquire shares of Utron Technologies Corp on January 3, 2020 and has control over the company. As the company became a subsidiary of the Group, the balance of other receivables from related parties was been eliminated.

Note2: The company was not the associate of the Group from August, 2020.

(2) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Sales of goods:		
Associate	<u>\$ 13,662</u>	<u>\$ -</u>

B. Purchases:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Purchases of goods:		
Substantive related party	<u>\$ 123,256</u>	<u>\$ 31,522</u>

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

C. Receivables from related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivables :		
Associate	\$ 10,605	\$ -
Other accounts receivables :		
Associate	\$ -	\$ 40,179

D. Payables to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Substantive related party	\$ 34,274	\$ 27,550
Other accounts payable:		
Associate	\$ 470	\$ -

E. Loans to /from related parties:

Loans to related parties:

a. Outstanding balance:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates	\$ -	\$ 40,000

b. Interest income:

	<u>Years ended December 31, 2020</u>	<u>Years ended December 31, 2019</u>
Associates	\$ -	\$ 222

The loans to associates are repayable monthly over 1 years and carry interest at 2% per annum for the years ended December 31, 2020.

F. Other transactions:

	<u>Years ended December 31, 2020</u>		<u>Years ended December 31, 2019</u>	
	<u>Items</u>	<u>Amount</u>	<u>Items</u>	<u>Amount</u>
Substantive related party	Research and development expenses	\$ -	Research and development expenses	\$ 1,221
Associates	rental expenses	40	rental expenses	60

(3) Key management compensation

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Salaries and other short-term employee benefits	\$ 44,739	\$ 51,390
Post-employment benefits	17,398	1,246
Total	\$ 62,137	\$ 52,636

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposits (shown as "financial assets at amortised cost-current")	\$ 5,690	\$ -	Exercise guarantee for construction
Time deposits (shown as "financial assets at amortised cost non-current")	22,615	22,227	Exercise guarantee for construction and customs deposit
Property, plant and equipment	517,628	530,710	Long-term borrowings
	<u>\$ 545,933</u>	<u>\$ 552,937</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Contingent liabilities

As of December 31, 2020 and December 31, 2019, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$82,182 and \$64,971, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(17)

12. OTHERS

(1) Capital management

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

During year ended December 31, 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio within reasonable risk level. The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowings	\$ 1,201,153	\$ 1,592,426
Less: Cash and cash equivalents	(1,584,069)	(929,712)
Net debt	(382,916)	662,714
Total equity	2,671,959	2,820,436
Total capital	2,289,043	3,483,150
Gearing ratio	-	19.03%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 120,353
Financial assets at fair value through other comprehensive income	167,966	103,462
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	1,584,069	929,712
Financial assets at amortised cost	725,367	849,169
Notes receivables	14,411	48,652
Accounts receivables (including related parties)	1,565,247	2,338,746
Other accounts receivables (including related parties)	9,431	51,625
Guarantee deposits paid	12,697	5,842
	<u>\$ 4,079,188</u>	<u>\$ 4,447,561</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,054,410	\$ 1,118,987
Accounts payable	1,101,104	996,060
Other accounts payable (including related parties)	282,089	321,108
Long-term borrowings (including current portion)	146,743	473,439
Guarantee deposits received	3,531	2,336
	<u>\$ 2,587,877</u>	<u>\$ 2,911,930</u>
Leases liabilities	<u>\$ 262,310</u>	<u>\$ 246,481</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

- ii. Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted (\$80,717) and (\$16,579), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,933	\$ -
JPY:NTD	1%	179	-
RMB:NTD	1%	1,278	-
USD: RMB	1%	458	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 6,488)	\$ -
JPY:NTD	1%	(331)	-
RMB:NTD	1%	(407)	-

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 23,141	\$ -
JPY:NTD	1%	219	-
RMB:NTD	1%	171	-
USD: RMB	1%	1,104	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 9,148)	\$ -
JPY:NTD	1%	(227)	-
RMB:NTD	1%	(318)	-

Price risk

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

- B. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$0 and \$1,204, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the year ended December 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in the NTD, JPY, USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the year ended December 31, 2020 and 2019 would have increased/decreased by \$6,704 and \$10,072, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;

- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customer's accounts receivable, in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. The provision matrix as of December 31, 2020 and 2019 is as follows:

At December 31, 2020	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.92%	0.01%-24.09%	0.26%-38.91%	0.95%-100%	
Total book value	\$ 1,456,763	\$ 74,216	\$ 18,705	\$ 215,071	\$1,764,755
Loss allowance	\$ 4,566	\$ 9,057	\$ 4,493	\$ 181,392	\$ 199,508

At December 31, 2019	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.60%	0.01%-28.02%	0.26%-32.67%	0.95%-100%	
Total book value	\$ 2,040,160	\$ 251,718	\$ 17,341	\$ 193,735	\$2,502,954
Loss allowance	\$ 4,257	\$ 16,594	\$ 4,506	\$ 138,851	\$ 164,208

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

	Year ended December 31, 2020	
	Accounts receivable	
At January 1	\$	164,208
Provision for impairment		48,110
Reversal of impairment loss	(	12,821)
Write-offs	(	239)
Effect of foreign exchange		250
At December 31	\$	199,508
	Year ended December 31, 2019	
	Accounts receivable	
At January 1	\$	124,279
Provision for impairment		89,239
Reversal of impairment loss	(	17,781)
Write-offs	(	30,866)
Effect of foreign exchange	(	663)
At December 31	\$	164,208

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

	December 31, 2020			
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 166,960	\$ -	\$ -	\$ 166,960
Group 2	541,048	-	-	541,048
Group 3	17,359	-	-	17,359
	<u>\$ 725,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,367</u>

	December 31, 2019			
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 157,399	\$ -	\$ -	\$ 157,399
Group 2	672,610	-	-	672,610
Group 3	19,160	-	-	19,160
	<u>\$ 849,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,169</u>

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

(c) Liquidity risk

- i . Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii . Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and no active market of debt securities investment (Later than three month but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2020 and 2019, the Group held money market position of \$2,286,493 and \$1,876,719, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	December 31, 2020	December 31, 2019
Floating rate:		
Expiring within one year	\$ 1,899,957	\$ 1,655,853
Expiring beyond one year	3,400	50,000

\$	1,903,357	\$	1,705,853
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The facilities expiring within one year are annual facilities subject to review at various dates during 2020. The other facilities have been arranged to help finance the proposed equipment manufacturing and research and development business activities of the Group. Please refer to note 12.

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

Non-derivative financial liabilities:

December 31, 2020	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 589,610	\$ 464,800	\$ -	\$ -	\$ -
Accounts payable(including related parties)	564,842	368,531	-	167,731	-
Other payables(including related parties)	219,989	62,100	-	-	-
Leases liabilities	5,107	14,991	17,533	44,583	234,814
Long-term borrowings (including current portion)	6,543	13,811	20,135	42,143	72,970

Non-derivative financial liabilities:

December 31, 2019	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 609,227	\$ 509,760	\$ -	\$ -	\$ -
Accounts payable(including related parties)	419,094	235,118	-	314,298	-
Other payables(including related parties)	226,691	94,417	-	-	-
Leases liabilities	5,564	15,745	20,610	30,225	245,588
Long-term borrowings (including current portion)	8,018	18,275	374,883	39,908	48,604

Derivative financial liabilities:

December 31, 2020 and December 31, 2019:None

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment

in equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value (the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, deposit account(over 3 months), short-term borrowings, contract liabilities, accounts payable, other payables, lease payments (shown as other current assets and other non-current assets) and long-term borrowings (including current portion) are approximate to their fair values.

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

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

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 167,966	\$ 167,966
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 120,353	\$ -	\$ -	\$ 120,353
Available-for-sale financial assets				
Equity securities	-	-	103,462	103,462
Total	<u>\$ 120,353</u>	<u>\$ -</u>	<u>\$ 103,462</u>	<u>\$ 223,815</u>

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

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

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Closing price	Net asset value

- i i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, and options, the Group adopts valuation

technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the December 31, 2020 and December 31, 2019, there was no transfer into or out from Level 3.

E. The following chart is the financial instruments movement of Level 3 for the year ended December 31, 2020 and 2019:

	Year ended December 31, 2020	Year ended December 31, 2019
	<u>equity instrument</u>	<u>equity instrument</u>
At January 1	\$ 103,462	\$ 125,024
Gains and losses recognized in other comprehensive income	64,504	(21,562)
At December 31	<u>\$ 167,966</u>	<u>\$ 103,462</u>

F. For the year ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

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

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

	December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 157,672	Market comparable companies	Price to book ratio multiple	1.09~4.30	The higher the multiple, the higher the fair value
Unlisted shares	\$ 10,294	Net asset value method	Not applicable	-	Not applicable
	December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 92,625	Market comparable companies	Price to book ratio multiple	0.91~3.26	The higher the multiple, the higher the fair value
Unlisted shares	\$ 10,837	Net asset value method	Not applicable	-	Not applicable

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

		December 31, 2020				
				Recognized in other comprehensive income		
		Recognized in profit or loss		Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 1,581 (\$ 1,584)	
		December 31, 2019				
				Recognized in other comprehensive income		
		Recognized in profit or loss		Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 928 (\$ 926)	

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measurement of segment information

Management assess the segment performance based on the income (loss) before tax in the consolidated financial statements. The accounting policies of segment are the same with the summary of significant accounting policy in notes 4.

(3) Information about segment

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

Year ended December 31, 2020

	Gallant Precision Machining Co., Ltd.	Gallant Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	Gallant Precision Machinery (BVI) Ltd.	Chun-Zhun Enterprise Corporation (BVI)Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 2,453,801	\$ 85,719	\$ 877,331	\$ -	\$ -	\$ 43,540	\$ -	\$ 3,460,391
Inter-segment revenue	\$ 17,852	\$ 278,161	\$ 172,666	\$ -	\$ -	\$ -	(\$ 468,679)	\$ -
Segment income	\$ 161,726	\$ 25,970	\$ 74,087	\$ 17,088	\$ (46)	\$ 10,727	(\$ 83,790)	\$ 205,762
Total segment assets	\$ 4,563,434	\$ 410,348	\$ 1,952,186	\$ 382,594	\$ -	\$ 79,042	(\$ 1,291,534)	\$ 6,096,070

Year ended December 31, 2019

	Gallant Precision Machining Co., Ltd.	Gallant Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	Chun-Zhun Enterprise Corporation (BVI)Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 3,335,058	\$ 67,386	\$ 758,006	\$ -	\$ -	\$ 75,565	\$ -	\$ 4,236,015
Inter-segment revenue	\$ 10,036	\$ 208,225	\$ -	\$ -	\$ -	\$ -	(\$ 218,261)	\$ -
Segment income	\$ 284,610	\$ 17,670	\$ 113,786	\$ 3,554	(\$ 1,328)	\$ 19,996	(\$ 70,931)	\$ 360,249
Total segment assets	\$ 5,294,718	\$ 364,864	\$ 1,590,196	\$ 361,551	\$ 13,254	\$ 91,185	(\$ 1,261,908)	\$ 6,453,860

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2020 and 2019 is provided as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Reportable segments income/(loss)	\$ 289,552	\$ 431,180
Other	(83,790)	(70,931)
Income/(loss) before tax from continuing operations	<u>\$ 205,762</u>	<u>\$ 360,249</u>

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

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

	December 31, 2020	December 31, 2019
Assets of reportable segments	\$ 7,387,604	\$ 7,715,768
Elimination of intersegment assets	(1,291,534)	(1,261,908)
Total assets	<u>\$ 6,096,070</u>	<u>\$ 6,453,860</u>

(5) Information on product and service

Revenue from external customers is mainly from manufacturing and selling of Display process equipment, semiconductor process equipment and intelligent automated equipment. Detail of revenue balance is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Display process equipment	\$ 1,481,727	\$ 2,808,168
Semiconductor process equipment	1,046,378	874,040
Intelligent automated transportation equipment	418,085	85,696
Other	514,201	468,111
Total	<u>\$ 3,460,391</u>	<u>\$ 4,236,015</u>

(6) Geographical information

The Company and its subsidiaries geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets (note)	Revenue	Non-current assets (note)
Taiwan	\$ 1,124,349	\$ 926,440	\$ 1,359,275	\$ 833,644
China	2,254,717	107,236	2,858,786	52,051
Others	81,325	1,225	17,954	1,305
Total	<u>\$ 3,460,391</u>	<u>\$ 1,034,901</u>	<u>\$ 4,236,015</u>	<u>\$ 887,000</u>

Note: Not included financial assets at fair value through other comprehensive income non-current, investments accounted for under equity method and deferred income tax assets.

(7) Major customer information

Revenue from specific customers that represent over 10% of total revenues of the Group for the years ended December 31, 2020 and 2019 is as follows:

	<u>Year ended December 31, 2020</u>		<u>Segment</u>
	<u>Revenue</u>	<u>Percentage(%)</u>	
Customer J	\$ 388,525	11%	The whole Group
Customer E	366,886	11%	The whole Group
	<u>Year ended December 31, 2019</u>		
	<u>Revenue</u>	<u>Percentage(%)</u>	<u>Segment</u>
Customer J	\$ 1,017,072	24%	The whole Group
Customer B	528,482	12%	The whole Group
Customer F	436,526	10%	The whole Group
Customer E	83,776	2%	The whole Group

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Company's Total Financing Amount Limits (Note 1)	Footnote	
													Item Promised	Value			
1	Gallant Micro-Machining Co., Ltd.	Urtron Technologies Corp	Other receivables	Y	\$ 50,000	\$ 50,000	\$ 23,000	2.00%	Short-term financing	-	Operating need	-	Item Promised	50,000	93,903	187,805	
2	Urtron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables	N	\$ 6,000	\$ 6,000	\$ 4,500	2.00%	Short-term financing	-	Operating need	-	-	-	6,617	13,235	

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

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

The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

Note2: Urtron Technologies Corp. Financings provided:

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

The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

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

Table 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Party(Note1)	Maximum Balance for the Period (Note2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship Subsidiary											
0	Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Subsidiary	\$ 443,444	\$ 108,480	\$ 68,480	\$ -	\$ -	3.09	\$ 1,108,610	Y	N	N	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary	443,444	85,440	85,440	-	-	3.85	1,108,610	Y	N	Y	
1	Gallant Micro Machining Co., Ltd.	Gallant Micro Machining (Suzhou) Co., Ltd.	Subsidiary	187,805	28,480	28,480	-	-	3.03	469,513	Y	N	Y	
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	187,805	128,000	128,000	94,600	-	13.63	469,513	Y	N	N	

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

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

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

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

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

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

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

Table 3

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

DECEMBER 31, 2020

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020			Footnote
				Financial assets at fair value through other comprehensive income-non-current	Carrying Value	Percentage of Ownership		Fair Value
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	-	Financial assets at fair value through other comprehensive income-non-current	669,375	10,294	0.59	10,294
King Mechatronics Co., Ltd.	POWER EVER ENTERPRISES LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	624,726	157,672	10.15	157,672
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	286,891	-	1.98	-

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
REACHING NT\$100 MILLION OR 20% OF PAID IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction term compared to third party transactions(note 1)			Notes/accounts receivable (payable)		Footnote (note2)
			Purchases(sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	The Company holds indirectly 100% of the investee.	Purchases	\$ 246,993	10.89%	Similar to third parties	Similar to third parties	\$ 71,194	6.47%	
Gallant Precision Intelligence Technology Co., Ltd.	Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party	Purchases	123,256	5.44%	Similar to third parties	Similar to third parties	34,274	3.11%	

Note1: If the transaction term are different compared to third party, please describe the differences terms on column of credit term and unit price.

Note2: If the transaction have prepayment or received in advance, please describe the reason, term, amount and differences compared to third party on column of footnote.

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Financial Statements Item	Amount	Intercompany Transactions		Percentage of Consolidated Net Revenue or Total Assets (Note 3)
						Terms	Amount	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	\$ 246,993	subject to the terms and conditions agreed upon by both parties		7.14
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Accounts payable	71,194	subject to the terms and conditions agreed upon by both parties		1.17
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Cost of sales	33,022	subject to the terms and conditions agreed upon by both parties		0.95
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	53,891	subject to the terms and conditions agreed upon by both parties		1.56
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	18,611	subject to the terms and conditions agreed upon by both parties		0.31
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	35,611	subject to the terms and conditions agreed upon by both parties		1.03
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	3	Other accounts receivable	23,000	no		0.38
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Sales	22,780	subject to the terms and conditions agreed upon by both parties		0.66
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	59,374	subject to the terms and conditions agreed upon by both parties		1.72
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	26,426	subject to the terms and conditions agreed upon by both parties		0.43

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

(1) Number 0 represents the Company.

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

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

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Notes: The information only disclosing for the amount of transactions are more than \$10,000 thousand and counterparties shall not disclose.

Table 6

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products (Suzhou) Co., Ltd.	Original Investment Amount		Balance as of December 31, 2020			Share of Profits/Losses of Investee (note1)	Footnote
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value		
				\$	\$			\$		
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	459,050	459,050	13,560,000	100.00	233,377	19,852	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BYD) Ltd.	British Virgin Islands	Investment Gallant Precision Machinery (Xiamen) Co., Ltd.	660,506	660,506	20,289,000	100.00	381,093	15,038	15,038
Gallant Precision Machining Co., Ltd.	APEX-1 International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	70,421	7,850	7,850
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd.	British Virgin Islands	Investing in Gallant Technology (Shenzhen) Co., Ltd. and Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation	-	125,671	-	-	-	46)	46)
Gallant Precision Machining Co., Ltd.	Stmengine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	-	366,877	-	-	-	2,380)	901)
Gallant Precision Machining Co., Ltd.	Gallant Micro Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	57.19	537,027	44,522	25,462
Gallant Micro Machining Co., Ltd.	King Mechatronics Co., Ltd.	British Virgin Islands	Investment Gallant Micro Machining (Suzhou) Co., Ltd.	393,508	393,508	2,780,645	100.00	804,996	23,297	23,297
Gallant Micro Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Malaysia	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	3,992	3,992	500,000	100.00	2,748	54	54
Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and testing equipment of PCB and related systems	53,212	29,540	2,660,600	76.02	50,306	39,071)	29,702)
Utron Technologies Corp	U Pin Precision Co., Ltd.	Taiwan	Planning, development, design and manufacturing of electrical logging fixture	-	7,636	-	-	-	373	257

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

Note2: The subsidiary has been completed the dissolution and liquidation procedure in June 2020.

Note3: The Group has sold all shares of the investment.

Table 7

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (note 1)	Investment Flows				Percentage of Ownership	Share of Profits/Losses (note 2)(B)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Footnote
				Accumulated Outflow of Investment from January 1, 2020	Outflow	Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2020						Net Income (Losses) of the Investee Company
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 179,994	2	\$ 149,264	\$ -	\$ -	\$ 149,264	100.00	\$ 20,950	\$ 199,421	\$ -	Note2-2.C
Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	543,968	2	543,968	-	-	543,968	100.00	15,205	382,562	-	Note2-2.C
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	59,409	2	59,409	(9,429)	-	49,980	100.00	58	-	-	Note2-2.C
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	2	46,337	-	-	46,337	-	-	-	-	Note2-2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	156,640	2	29,870	(1,779)	-	28,091	10.15	-	157,672	6,507	Note2-2.C
Gallant Micro Machining (Suzhou) Co., Ltd.	Engaged in selling of mechanical precision mold and related parts	129,584	2	229,066	-	-	229,066	57.19	21,984	655,501	-	Note2-2.B
Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.	Manufacturing and selling of kinds of film forming system, filling and packaging system and related services.	166,326	3	-	-	-	-	30.00	12,833	-	-	Note2-2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	30,639	3	-	-	-	-	100.00	162	6,223	-	Note2-2.C
Suzhou Jianmeifa Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	17,508	3	-	-	-	-	100.00	92	-	-	Note2-2.C
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	43,770	3	-	-	-	-	60.00	3,253	55,306	-	Note2-2.C
Gallant Biotech (Suzhou) Co., Ltd.	Manufacturing, research, development and selling of medical equipment	42,816	3	-	-	-	-	29.14	13,672	-	-	Note2-2.C
									3,984			Note5

Investee Company	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 789,549	\$ 942,885	\$ 1,330,333
Gallant Mikro. Machining Co., Ltd.	257,157	257,157	563,416

Note1: There are three methods of investment as follows

- (1) Directly invest in Mainland China.
- (2) Indirectly invest in Mainland China.
- (3) Others.

Note2: Share of Profits/Losses recognized for the year ended December, 2015:

- (1) No investment income (loss) recognition.
- (2) There are three basis for investment income (loss) recognition.
 - A. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by R.O.C. parent company's CPA.
 - C. Others (The basis for investment income (loss) recognition is from the non-audited financial statements prepared by the investees.

Note3: The amounts of paid-in capital and accumulated beginning and ending balance have translated to New Taiwan Dollars at the closing exchange rate.

Note4: The investment had completed liquidating procedure in June, 2020.

Note5: The Group had sold 29.14% shares of Gallant Biotech (Suzhou) Co., Ltd in June, 2020.

Note6: The investment had completed liquidating procedure in March, 2020.

Note7: The investment had completed liquidating procedure in October, 2020.

Note8: The investment review committee of the Ministry of Economic Affairs verified the amount of investment in investment businesses in the mainland based on the exchange rate USD:NTD=1:28.48 on December 31, 2020.

Table 8

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDER
FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2020

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

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	35,537,827	23.94%

Note1: The main shareholder information in this table is based on the last business day at the end of each quarter by the China Insurance Company, which calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Public information observatory.

GPM

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Gallant Precision Machining Co., Ltd.



Jason Chen, Chairman