



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

2018 Annual Shareholder's Meeting

**Meeting Agenda**  
(Translation)

**Date : June 22, 2018**

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

**2018 Annual Shareholder's Meeting Procedure**

I. Call Meeting to Order

II. Chairman's Address

III. Report Items

IV. Recognition Items

V. Special Motions

VI. Meeting Adjourn

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

## **2018 Annual General Shareholders' Meeting Agenda**

**Time : 9:00a.m., June 22, 2018, Friday.**

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

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

- (1) To report the Business of 2017.
- (2) Audit committee's review report of 2017.
- (3) To report the distribution of employees' and directors' remuneration of 2017.
- (4) To report Transfer of part of the shares of Gallant Micro. Machining Co., Ltd. To talents.

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

- (1) To accept 2017 Business Report and Financial statements.
- (2) To approve the proposal for the distribution of 2017 earnings.

### **III.Special Motions**

### **IV.Meeting Adjourned**

## **Report Items**

### **1. Business report for 2017**

#### Explanation :

The 2017 Business Report is attached hereto as Attachment 1(pages6~10).

### **2. Audit committee's review report of 2017.**

#### Explanation :

The 2017 Audit Committee's review report is as follows:

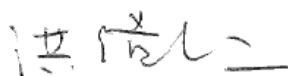
#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earning Distribution Proposal for the year of 2017. LI, TIEN YI and CHENG, YA HUEI, Certified Public Accountants of PWC, have audited the Financial Statements. The 2017 Business Report, Financial Statements, and Earning Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Gallant Precision Machining Co., Ltd., as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

The 2017 General Shareholders' Meeting of Gallant Precision Machining Co., Ltd.

Chairman of the Audit Committee :



May 7, 2018

### **3. To report the distribution of employees' and directors' remuneration of 2017.**

#### Explanation :

As a result of the resolution of the Board of Directors, the Company shall distribute an employee's bonus of NT\$24,301,187 and directors' remuneration of NT\$4,832,236 in cash which are within the limits stipulated in the Articles of Association. The amount of the aforesaid remuneration proposed to be distributed is the same as the amount of the book.

#### **4. To report Transfer of part of the shares of Gallant Micro. Machining Co., Ltd. to key talents**

Explanation:

1. To retain Gallant Micro. Machining Co., Ltd.'s talents in the areas of the business layout and new product marketing in mainland China, core research and development and future business management, the Company approved the appropriation of 100,000 and 50,000 shares to Gallant Micro. Machining Co. Ltd. Associate Directors Tun Chin Shih and Chun Kuei Lai respectively, at NT\$32.29 per share based on the net value from 2016 Gallant Micro. Machining Co., Ltd.'s financial statements.
2. Due to various reasons, Associate Directors Tun Chin Shih and Chun-Kuei Lai have given up the entitlement to the aforementioned shares

#### **Recognition Items**

#### **1. To accept 2017 Business Report and Financial statements. (proposed by the Board of Directors)**

Explanation :

- (1) The 2017 financial statements of the Company were approved by the Board of Directors on March 27, 2018 and audited by the accountants, LI, TIEN YI and CHENG, YA HUEI of PWC Taiwan, and were sent to the Audit Committee, and an audit report was issued accordingly.
- .
- (2) For the 2017 Business Report, Independent Auditor's Report, and the 2017 Financial Statements, please refer to Attachments 1 and 2 (pages 6~10 and pages11~35).

Resolution :

#### **2. To approve the proposal for the distribution of 2017 earnings. (proposed by the Board of Directors)**

Explanation :

- (1)Earnings Distribution Proposal :

Amount in NT\$

<b>Item</b>	<b>Amount</b>
Unappropriated retained earnings from previous years	3,105,307
Less: change of remeasurements on defined benefit plan	(5,452,023)
Adjusted Unappropriated retained earnings	(2,346,716)
Add: Net Income of 2017	200,251,437
Less: 10% of legal reserve	(19,790,472)
Add: reverse of the deduction item from equity special reserve	45,182,138
Retained Earnings Available for Distribution as of December 31, 2017	223,296,387
Distribution:	
Common stock cash dividend (NT\$1.217 per share)	(200,966,748)
Unappropriated retained earnings, ending balance	22,329,639

- (2)The calculation of cash dividend rate of the earnings distribution is based on shares of the Company that have the right to participate in the distribution by March 19, 2018.
- (3)The minimum amount of cash dividend distribution is NT\$1 (decimals will be discarded).  
The total of allotments less than NT\$1 shall be recorded as other income of the Company.
- (4)If the number of shares outstanding and the corresponding cash dividend rate are changed in the future due to the Company's share repurchase or transfer and conversion of treasury stocks, the Company will propose to the general shareholders' meeting to authorize the Board of Directors to handle and adjust accordingly.

Resolution :

**Special Motions**

**Meeting Adjourned**

## Attachment 1 :

### Gallant Precision Machining Co., Ltd.

#### 2017 Business Report

In 2017, the total operating income of the Company was NT\$3,771,317 thousand, showing a growth of 45.26% over last year. In terms of profit, the net profit after tax was NT\$200,252 thousand, a decrease of 23.19% compared with the last year. The gross profit margin decreased by 1.84% from last year and the net profit per share was NT\$1.21.

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

Financial analysis data		2017
Debt to asset ratio (%)	(%)	56.66
Long-term funds to fixed assets ratio (%)	(%)	590.00
Return on total assets	(%)	4.00
Return on shareholders' equity	(%)	8.80
Percentage to paid-in capital (%)	Operating profit	25.47
	Pre-tax net profit	16.30
Net profit margin	(%)	5.30
Earnings per Share	(NTD)	1.21

#### (2) Products that have been developed by the Company in 2017

R&D Item (Processing Technology)	Names of machine developed
	● G10.5 Array TEG Probe.
	● Flexible display Full Contact Type Array Probe
	● 12" Wafer 2D Defect Inspection & Metrology
	● Strip Flat Grinding Equipment
	● 12" Chip Box Auto-feed AGV System

## II. 2018 Business Plan Summary

### 1. Annual Operating Policy

#### (1) Business Aspect

- Strengthen the competitive power in display industry
- Expand the footprint in intelligence industry
- Explore the semiconductor industry



- A. Incorporate foreign technology and improve the high value-added prober and wet process etching equipment of the FPD ARRAY segment.
- B. Seize the trend of FPD plant construction and arrange the Company's production capacity to carefully select business opportunities with reasonable gross profits and be profit-centered.
- C. Continue the efforts of intelligent automation development in 2017 to centralize the resources and provide the strategic partners and important customers from key industries with automation integration solutions to achieve their intelligent manufacturing goals.
- D. Continue the cooperation with world-class companies to become their long-term automation equipment partners to ensure the stable business development sources.
- E. Aggressively cut into the high value-added semiconductor front-end advanced detection technology development and the detection and grinding process of middle-to-back end of the packaging process through technology importation and cooperation.
- F. Improve the performance of existing IC panel to enhance the product line and expand the customer base.
- G. Adopt a close-to-the-market strategy and continue the development of health reagents for in vitro testing and testing equipments.

(2) R&D Aspect

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

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

The Company's plans to develop following products in 2018:

<b>R&amp;D Item (Processing Technology)</b>	<b>Names of machine to be developed</b>
	● Picosecond Imaging Circuit Analysis, PICA
	● G8.5/G10.5 Wet Etching
	● 12" Wafer 2D/3D Defect Inspection & Metrology
	● High-Throughput Wafer Glass Surface Defect Inspection
	● High-precision fan-out packaging and grinding equipment
	● Panel Temporary Bonding coating and laminating equipment
	● 3D on-line processing system

	● vSLAM(AGV vision guiding system)
	● Smart machinery-IOT process monitor and diagnostic system
	● Complete blood microfluidic immune analyzer

## 2. The Company's forecast on sales volume and its basis for 2018:

Unit: set

Main products	2018 budget
Display processing equipment	217
Semiconductor processing equipment	26
Intelligent automation equipment	11
Other equipment	4

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

## 3. Important production and marketing policies

- A. Integrate cross-strait operating systems and resources to enhance the synergy of the division of labor in order to increase the competitiveness in mainland China.
- B. Enter into alliances with material supplier, academic and research institution and end-customers to strengthen the developing and marketing performance of new products.
- C. Reinforce the cost control mechanism of orders, improve design and reduce the number of main suppliers to ensure a reasonable profit of the orders.
- D. Promote continuously the standardization of core modules to simplify manufacturing, improve product reliability and reduce costs.
- E. Make rapid deliveries, reduce inventory valuation loss and increase inventory turnover rate.
- F. Speed up installation and inspection performance to raise account receivable turnover rate and enhance the after-sale service quality to ensure satisfaction of the customers.

## III. Future Development Strategy:

- Transforming with creativity and sustainability are the first priority of development strategy.
  - Lean based
  - Profit centered
  - Value-adding focused
  - Creativity and Sustainability
- Business Aspect
  - Strengthen the competitive power in display industry
  - Expand the footprint in intelligence industry
  - Explore the semiconductor industry
  -

- Product Aspect
  - Core technology (equipment & process) development
  - Add value by integrating products from different areas.
- Based on QDTCS and smart production management system to construct great production system and powerful supply system.
- Build a win-win sale system that meets expectation of the customers. Expand, integrate, and expand After market service.
- International strategy that cultivates talents
- Continue to build strategic alliance, cooperate in technology transfer, and integrate cross-area creative operation.
- Construct long-term stable and profitable operation system.

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

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

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

##### **2. Regulatory Environment:**

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

##### **3. Overall Business Environment:**

Mainland China has been transforming from the world's factory to the world's largest consumer market. Labor shortage and soaring costs have become an irreversible trend in the world. Be-

sides, the need for industry automation is still growing. The Company has the application technology for cross-industry automation equipment. In recent years, the Company has been working with renowned customers around the world and has successfully integrated intelligent automation solutions into client's production processes. Therefore, the Company is confident in future development.



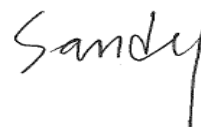
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Sheng-Fa (Nick) , Yeh  
Chairman



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Cheng-Hsin (Jason), Chen  
President



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Yu-Chin (Sandy), Ning  
Chief Financial Officer

## **Attachment 2 :**

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

#### REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

#### **Opinion**

We have audited the accompanying parent company only financial statements of Gallant Precision Machining Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2017 and 2016, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants as described in the other matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

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

opinion.

## **Key Audit Matters**

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

### **Evaluation of inventories**

#### Description

Gallant Precision Machining Co., Ltd is primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(11) of the parent company only financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the parent company only financial statements. The allowance for inventory valuation loss amounting to NT1,295,382 thousand and NT10,526 thousand as of December 31, 2017 and 2016, respectively are disclosed in Note 6(5) of the parent company only financial statements.

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

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

Our audit procedures performed for the above matter included the following: assessed the reasonableness of the policy of the allowance for inventory valuation loss. 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. Assessed and confirmed the reasonableness in estimation of net realizable value and tested the reasonableness in accrual of the allowance for inventory valuation loss.

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

### 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. 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:

Our audit procedures performed included assessed the appropriateness of the policy of sales revenue recognition. Assessed and tested the design and operating effectiveness of the key controls over sales revenue recognition. Sampled and tested the sales transactions included check customer purchase order, evidence of the goods risks and rewards have been transferred and issued bill. We also performed cut-off test on sales transactions for the period before 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 NT66,761 thousand and NT189,608 thousand, constituting 1% and 3% of the total assets as of December 31, 2017 and 2016, respectively, and its share of the loss amounting to NT(122,847) thousand and NT(45,154) thousand, constituting (69.44%) and (25.15%) 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, 2017 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.

李典易 

李典易 

PricewaterhouseCoopers, Taiwan  
March 27, 2018

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

GALLANT PRECISION MACHINING CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 475,480	9	\$ 471,161	9
1110	Financial assets at fair value through profit or loss - current	6(2)	32,676	1	383,125	7
1147	Investments in debt instrument without active markets	6(3)	148,170	3	222,623	4
1150	Notes receivable, net		2,317	-	31,930	1
1170	Accounts receivable, net	6(4)	1,226,079	24	1,207,586	22
1180	Accounts receivable - related parties	7	-	-	1,991	-
1200	Other receivables		317	-	3,615	-
1210	Other receivables - related parties	7	4,261	-	16,717	-
130X	Inventories, net	6(5)	1,284,856	25	944,956	17
1410	Prepayments		14,624	-	26,907	-
1470	Other current assets	8	8,613	-	19,473	-
11XX	<b>Current Assets</b>		<u>3,197,393</u>	<u>62</u>	<u>3,330,084</u>	<u>60</u>
<b>Non-current assets</b>						
1523	Available-for-sale financial assets – non-current	6(6)	11,627	1	18,308	-
1550	Investments accounted for using equity method	6(7)	1,333,956	26	1,570,074	29
1600	Property, plant and equipment, net	6(8) and 8	418,710	8	431,180	8
1780	Intangible assets, net		85,178	2	114,289	2
1840	Deferred income tax assets	6(23)	60,118	1	49,948	1
1900	Other non-current assets	8	11,685	-	16,521	-
15XX	<b>Non-current assets</b>		<u>1,921,274</u>	<u>38</u>	<u>2,200,320</u>	<u>40</u>
1XXX	<b>Total assets</b>		<u>\$ 5,118,667</u>	<u>100</u>	<u>\$ 5,530,404</u>	<u>100</u>

(Continued)

GALLANT PRECISION MACHINING CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term loans	6(9)	\$ 554,730	11	\$ 522,152	9
2170	Accounts payable	6(10)	1,427,417	28	1,365,078	25
2180	Accounts payable - related parties	7	4,417	-	1	-
2200	Other payables		226,158	4	290,291	5
2230	Current income tax liabilities	6(23)	53,131	1	32,401	1
2250	Provisions for liabilities - current		145,491	3	151,767	3
2300	Other current liabilities	6(11)	178,716	4	499,207	9
21XX	<b>Current Liabilities</b>		<u>2,590,060</u>	<u>51</u>	<u>2,860,897</u>	<u>52</u>
<b>Non-current liabilities</b>						
2540	long-term loans	6(11)	252,379	5	280,256	5
2600	Other non-current liabilities	6(12)	58,186	1	60,736	1
25XX	<b>Non-current liabilities</b>		<u>310,565</u>	<u>6</u>	<u>340,992</u>	<u>6</u>
2XXX	<b>Total Liabilities</b>		<u>2,900,625</u>	<u>57</u>	<u>3,201,889</u>	<u>58</u>
<b>Equity</b>						
<b>Share capital</b>		6(13)				
3110	Share capital - common stock		1,651,361	32	1,651,361	30
<b>Capital surplus</b>		6(14)				
3200	Capital surplus		186,765	4	242,949	4
<b>Retained earnings</b>		6(15)(23)				
3310	Legal reserve		66,921	1	40,850	1
3320	Special reserve		178,169	3	132,987	2
3350	Unappropriated retained earnings		197,905	4	305,550	6
<b>Other equity interest</b>		6(16)				
3400	Other equity interest		( 63,079)	( 1)	( 45,182)	( 1)
3XXX	<b>Total equity</b>		<u>2,218,042</u>	<u>43</u>	<u>2,328,515</u>	<u>42</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>		9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 5,118,667</u>	<u>100</u>	<u>\$ 5,530,404</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, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Years ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(17) and7	\$ 3,771,317	100	\$ 2,596,175	100
5000 <b>Operating costs</b>	6(5)(21)(22)	( 2,787,234)	( 74)	( 1,871,930)	( 72)
5900 <b>Operating margin</b>		984,083	26	724,245	28
5910 Unrealized profit from sales		( 178)	-	( 53)	-
5920 Realized profit from sales		53	-	1,151	-
5950 <b>Net operating margin</b>		983,958	26	725,343	28
<b>Operating expenses</b>	6(21)(22)				
6100 Selling expenses		( 139,129)	( 4)	( 123,918)	( 5)
6200 General and administrative expenses		( 202,725)	( 5)	( 266,453)	( 10)
6300 Research and development expenses		( 221,375)	( 6)	( 101,039)	( 4)
6000 <b>Total operating expenses</b>		( 563,229)	( 15)	( 491,410)	( 19)
6900 <b>Operating profit</b>		420,729	11	233,933	9
<b>Non-operating income and expenses</b>					
7010 Other income	6(18)	64,428	2	73,549	3
7020 Other gains and losses	6(19)	( 34,705)	( 1)	( 8,777)	-
7050 Finance costs	6(20)	( 15,366)	( 1)	( 12,260)	( 1)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	( 165,822)	( 4)	14,902	1
7000 <b>Total non-operating income and expenses</b>		( 151,465)	( 4)	67,414	3
7900 <b>Profit before tax</b>		269,264	7	301,347	12
7950 Income tax expense	6(23)	( 69,012)	( 2)	( 40,638)	( 2)
8200 <b>Profit for the year</b>		\$ 200,252	5	\$ 260,709	10
<b>Other comprehensive income for the year</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurement of defined benefit obligation		( \$ 5,409)	-	( \$ 2,477)	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method		( 44)	-	( 19)	-
8310 <b>Components that will not be reclassified subsequently to profit or loss:</b>		( 5,453)	-	( 2,496)	-
<b>Components of other comprehensive income that may be reclassified subsequently to profit or loss</b>					
8361 Cumulative translation differences of foreign operations		( 12,789)	-	( 79,380)	( 3)
8362 Unrealized (loss) gain on valuation of available-for-sale financial assets		( 4,934)	-	1,736	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method		( 174)	-	( 999)	-
8360 <b>Components of other comprehensive income that may be reclassified subsequently to profit or loss</b>		( 17,897)	-	( 78,643)	( 3)
8300 <b>Other comprehensive income (loss) for the year</b>		( \$ 23,350)	-	( \$ 81,139)	( 3)
8500 <b>Total comprehensive income for the year</b>		\$ 176,902	5	\$ 179,570	7
<b>Basic earnings per share</b>	6(24)				
9750 <b>Basic earnings per share</b>		\$	1.21	\$	1.58
<b>Diluted earnings per share</b>	6(24)				
9850 <b>Diluted earnings per share</b>		\$	1.20	\$	1.56

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, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other equity		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative trans- lation differences of foreign opera- tions	Unrealized gain or loss on availa- ble-for- sale financial as- sets	
<b>For the year ended December 31, 2016</b>								
Balance at January 1, 2016	\$ 1,651,361	\$ 275,976	\$ 20,859	\$ 132,987	\$ 200,820	\$ 46,982	(\$ 13,521 )	\$ 2,315,464
Distribution of 2015 earnings								
Legal reserve	-	-	19,991	-	( 19,991 )	-	-	-
Cash dividends	6(15)	-	-	-	( 132,109 )	-	-	( 132,109 )
Capital reserve-distribute cash	6(14)	( 33,027 )	-	-	-	-	-	( 33,027 )
Profit for the year		-	-	-	260,709	-	-	260,709
Other comprehensive income for the year	6(16)	-	-	-	( 2,496 )	( 79,380 )	1,736	( 80,140 )
Change in associates and joint ventures accounted for under equity method		-	-	-	-	-	( 999 )	( 999 )
Adjustment arising from changes in percentage of ownership in equity method investees	6(25)	-	-	-	( 1,383 )	-	-	( 1,383 )
Balance at December 31, 2016	<u>\$ 1,651,361</u>	<u>\$ 242,949</u>	<u>\$ 40,850</u>	<u>\$ 132,987</u>	<u>\$ 305,550</u>	<u>(\$ 32,398 )</u>	<u>(\$ 12,784 )</u>	<u>\$ 2,328,515</u>
<b>For the year ended December 31, 2017</b>								
Balance at January 1, 2017	\$ 1,651,361	\$ 242,949	\$ 40,850	\$ 132,987	\$ 305,550	(\$ 32,398 )	(\$ 12,784 )	\$ 2,328,515
Distribution of 2016 earnings								
Legal reserve	-	-	26,071	-	( 26,071 )	-	-	-
Special reserve	-	-	-	45,182	( 45,182 )	-	-	-
Cash dividends	6(15)	-	-	-	( 231,191 )	-	-	( 231,191 )
Capital reserve-distribute cash	6(14)	( 66,055 )	-	-	-	-	-	( 66,055 )
Profit for the year		-	-	-	200,252	-	-	200,252
Other comprehensive income for the year	6(16)	-	-	-	( 5,453 )	( 12,789 )	( 5,108 )	( 23,350 )
Difference between the price for acquisition or disposal of subsidiaries and carrying amount	6(25)	-	9,871	-	-	-	-	9,871
Balance at December 31, 2017	<u>\$ 1,651,361</u>	<u>\$ 186,765</u>	<u>\$ 66,921</u>	<u>\$ 178,169</u>	<u>\$ 197,905</u>	<u>(\$ 45,187 )</u>	<u>(\$ 17,892 )</u>	<u>\$ 2,218,042</u>

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

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax for the year		\$	269,264	\$	301,347
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation	6(21)		15,895		16,859
Amortization	6(21)		29,676		13,462
Net gain on financial assets or liabilities at fair value through profit or loss	6(19)	(	2,538	(	4,786
Loss on disposal of available-for-sale financial assets	6(19)		694		-
Gain on disposal of financial assets measured at cost			-	(	1,983
Gain on disposal of financial liabilities			-	(	870
Provision for doubtful accounts	6(4)		37,045		16,615
Interest expense	6(20)		15,366		12,260
Interest income	6(18)	(	1,779	(	2,741
Dividends income			-	(	3
Share of profits of associates and joint ventures accounted for using equity method			165,822	(	14,902
Unrealized loss from sales			178		53
Realized (profits) loss from sales		(	53	(	1,151
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			352,987	(	343,272
Notes receivable			29,613	(	27,313
Accounts receivable		(	55,538	(	99,568
Accounts receivable - related parties			1,991	(	894
Other receivables			3,119	(	1,698
Other receivables - related parties			12,456		39,040
Inventories		(	339,900	(	591,890
Prepayments			12,283	(	9,144
Other current assets		(	448	(	773
Net changes in liabilities relating to operating activities					
Financial liabilities at fair value through profit or loss - current			-	(	443
Accounts payable			62,339		696,797
Accounts payable - related parties			4,416	(	12,758
Other payables		(	63,220		101,230
Provisions for liabilities		(	6,276	(	10,966
Unearned receipts		(	321,139		430,774
Other current liabilities			542		211
Accrued pension liabilities		(	7,936	(	5,240
Cash generated from operations			214,859		498,253
Income tax paid		(	58,452	(	34,698
Interest received			1,957		3,080
Interest paid		(	14,918	(	11,427
Dividends received			-		3
Net cash provided by operating activities			143,446		455,211

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal (acquisition) of bond investments without active markets		\$	74,453	(\$	57,482)
Decrease in other financial assets - current			11,309		-
Decrease in other financial assets - non-current			4,887		55,780
Proceeds from disposal of financial assets			1,054		-
Acquisition of investments accounted for using equity method		(	34,203)	(	127,340)
Proceeds from disposal of investments accounted for using equity method			41,036		352
Acquisition of property, plant and equipment	6(27)	(	4,975)	(	3,792)
Proceeds from disposal of property, plant and equipment			240		-
Acquisition of intangible assets		(	616)	(	97,116)
Refundable deposits refunded		(	52)	(	589)
Proceeds from disposal of financial assets measured at cost			-		1,983
Dividends received from investments accounted for using equity method			60,202		57,979
Net cash provided by (used in) investing activities			<u>153,335</u>	(	<u>170,225</u> )

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in short-term loans			1,798,741		1,316,167
Repayment of short-term loans		(	1,766,163)	(	1,125,201)
Repayment of long-term loans		(	27,771)	(	27,005)
Guarantee deposits received		(	23)	(	168)
Payment of cash dividends		(	297,246)	(	165,136)
Net cash used in financing activities		(	<u>292,462</u> )	(	<u>1,343</u> )
Net increase in cash and cash equivalents			4,319		283,643
Cash and cash equivalents at beginning of year	6(1)		<u>471,161</u>		<u>187,518</u>
Cash and cash equivalents at end of year	6(1)	\$	<u>475,480</u>	\$	<u>471,161</u>

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



## **Attachment 2 :**

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

To Gallant Precision Machining Co., Ltd.

#### **Opinion**

We have audited the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of the other independent accountants, as described in the other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### **Basis for opinion**

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

#### **Key audit matters**

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

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

### **Evaluation of inventories**

#### Description

Gallant Precision Machining Co., Ltd. and its subsidiaries are primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(13) of the consolidated financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the consolidated financial statements. The allowance for inventory valuation loss amounting to NT1,593,706 thousand and NT83,077 thousand as of December 31, 2017 and 2016, respectively are disclosed in Note 6(5) 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:

Our audit procedures performed for the above matter included the following: assessed the reasonableness of the policy of the allowance for inventory valuation loss. 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. Assessed and confirmed the reasonableness in estimation of net realizable value and tested the reasonableness in accrual of the allowance for inventory valuation loss.

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

## 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. 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:

Our audit procedures performed included assessed the appropriateness of the policy of sales revenue recognition. Assessed and tested the design and operating effectiveness of the key controls over sales revenue recognition. Sampled and tested the sales transactions included check customer purchase order, evidence of the goods risks and rewards have been transferred and issued bill. We also performed cut-off test on sales transactions for the period before 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 and investments accounted for under the equity method that are included in the consolidated financial statements. Total assets of the subsidiary amounted to NT\$0 thousand and NT\$2,901 thousand, constituting 0% and 0.05% of consolidated total assets as of December 31, 2017 and 2016, respectively and operating income was NT\$0 thousand and NT\$0 thousand, constituting 0% and 0% of consolidated total operating income for the years ended December 31, 2017 and 2016, respectively. The balance of investment accounted for under equity method was NT\$66,761 thousand and NT\$189,608 thousand, constituting 1.07% and 3.03% of consolidated total assets as of December 31, 2017 and 2016, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method was NT(\$122,847) thousand and NT(\$59,216) thousand, constituting (59.69%) and (29.24%) of consolidated total comprehensive income for the years ended December 31, 2017 and 2016, respectively. Those financial statements and information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

## **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, 2017 and 2016.

### **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 state-

ments, 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, 2016 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.

李典易   
李典易 

PricewaterhouseCoopers, Taiwan  
March 27, 2018

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

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

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,071,799	17	\$ 910,191	15
1110	Financial assets at fair value through profit or loss - current	6(2)	32,676	1	383,125	6
1147	Investments in debt instrument without active markets	6(3)	963,980	15	1,013,293	16
1150	Notes receivable, net		38,138	1	54,554	1
1170	Accounts receivable, net	6(4)	1,546,436	25	1,633,982	26
1180	Accounts receivable - related parties	7	-	-	293	-
1200	Other receivables		8,076	-	14,262	-
130X	Inventories, net	6(5)	1,510,629	24	1,187,872	19
1410	Prepayments		55,068	1	43,084	1
1470	Other current assets	8	27,589	-	32,109	-
11XX	<b>Current Assets</b>		<u>5,254,391</u>	<u>84</u>	<u>5,272,765</u>	<u>84</u>
<b>Non-current assets</b>						
1523	Available-for-sale financial assets - non-current	6(6)	12,908	-	19,702	-
1543	Financial assets carried at cost - non-current	6(7)	66,419	1	66,419	1
1550	Investments accounted for using equity method	6(8)	66,761	1	189,608	3
1600	Property, plant and equipment, net	6(9) and 8	624,659	10	478,669	8
1780	Intangible assets, net		96,768	2	122,286	2
1840	Deferred income tax assets	6(26)	78,425	1	64,503	1
1900	Other non-current assets	8	24,375	1	36,262	1
15XX	<b>Non-current assets</b>		<u>970,315</u>	<u>16</u>	<u>977,449</u>	<u>16</u>
1XXX	<b>Total assets</b>		<u>\$ 6,224,706</u>	<u>100</u>	<u>\$ 6,250,214</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, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term loans	6(10)	\$ 734,730	12	\$ 542,153	9
2170	Accounts payable	6(11)	1,633,421	26	1,514,273	24
2180	Accounts payable - related parties	7	4,416	-	-	-
2200	Other payables	6(12)	336,968	6	394,050	6
2230	Current income tax liabilities		60,667	1	33,343	1
2250	Provisions for liabilities-current		187,573	3	195,510	3
2300	Other current liabilities	6(13)	207,150	3	528,962	8
21XX	<b>Current Liabilities</b>		<u>3,164,925</u>	<u>51</u>	<u>3,208,291</u>	<u>51</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	6(13)	391,641	6	310,256	5
2570	Deferred income tax liabilities	6(26)	42,299	1	36,326	1
2600	Other non-current liabilities	6(14)	85,134	1	87,958	1
25XX	<b>Non-current liabilities</b>		<u>519,074</u>	<u>8</u>	<u>434,540</u>	<u>7</u>
2XXX	<b>Total Liabilities</b>		<u>3,683,999</u>	<u>59</u>	<u>3,642,831</u>	<u>58</u>
<b>Equity attributable to owners of parent company</b>						
<b>Share capital</b>						
3110	Share capital-common stock	6(16)	1,651,361	27	1,651,361	26
<b>Capital surplus</b>						
3200	Capital surplus	6(17)	186,765	3	242,949	4
<b>Retained earnings</b>						
3310	Legal reserve	6(18)	66,921	1	40,850	1
3320	Special reserve		178,169	3	132,987	2
3350	Unappropriated retained earnings		197,905	3	305,550	5
<b>Other equity interest</b>						
3400	Other equity interest	6(19)	( 63,079 )	( 1 )	( 45,182 )	( 1 )
31XX	<b>Equity attributable to owners of the parent company</b>		<u>2,218,042</u>	<u>36</u>	<u>2,328,515</u>	<u>37</u>
36XX	<b>Non-controlling interest</b>		<u>322,665</u>	<u>5</u>	<u>278,868</u>	<u>5</u>
3XXX	<b>Total equity</b>		<u>2,540,707</u>	<u>41</u>	<u>2,607,383</u>	<u>42</u>
<b>Contingent liabilities and unrecognised contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,224,706</u>	<u>100</u>	<u>\$ 6,250,214</u>	<u>100</u>

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



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

				Years ended December 31			
				2017		2016	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	<b>Operating revenue</b>	\$ 4,839,887	100	\$ 3,666,700	100		
5000	<b>Operating costs</b>	( 3,527,537)	( 73)	( 2,578,090)	( 70)		
5900	<b>Net operating margin</b>	1,312,350	27	1,088,610	30		
	<b>Operating expenses</b>	6(24)(25)					
6100	Selling expenses	( 204,158)	( 4)	( 211,209)	( 6)		
6200	General and administrative expenses	( 299,240)	( 6)	( 366,670)	( 10)		
6300	Research and development expenses	( 343,153)	( 7)	( 203,699)	( 6)		
6000	<b>Total operating expenses</b>	( 846,551)	( 17)	( 781,578)	( 22)		
6900	<b>Operating profit</b>	465,799	10	307,032	8		
	<b>Non-operating income and expenses</b>						
7010	Other income	84,099	2	122,870	3		
7020	Other gains and losses	( 70,584)	( 2)	25,411	1		
7050	Finance costs	( 18,154)	-	( 13,175)	-		
7060	Share of profit of associates and joint ventures accounted for under equity method	( 122,847)	( 3)	( 59,216)	( 2)		
7000	<b>Total non-operating income and expenses</b>	( 127,486)	( 3)	75,890	2		
7900	<b>Profit before tax</b>	338,313	7	382,922	10		
7950	Income tax expense	( 107,632)	( 2)	( 83,863)	( 2)		
8200	<b>Profit for the year</b>	\$ 230,681	5	\$ 299,059	8		
	<b>Other comprehensive income for the year</b>						
	<b>Items that will not be reclassified subsequently to profit or loss:</b>						
8311	Actuarial gain on defined benefit plan	( \$ 5,453)	-	( \$ 2,498)	-		
8310	<b>Items that will not be reclassified subse- quently to profit or loss:</b>	( \$ 5,453)	-	( \$ 2,498)	-		
	<b>Items that may be reclassified subsequently to profit or loss:</b>						
8361	Cumulative translation differences of foreign operations	( 14,362)	( 1)	( 94,722)	( 2)		
8362	Unrealized loss on valuation of availa- ble-for-sale financial assets	( 5,046)	-	675	-		
8360	<b>Summary of Components of other comprehensive income that will be reclassified to profit or loss</b>	( 19,408)	( 1)	( 94,047)	( 2)		
8300	<b>Other comprehensive (loss) income for the year</b>	( \$ 24,861)	( 1)	( \$ 96,545)	( 2)		
8500	<b>Total comprehensive income for the year</b>	\$ 205,820	4	\$ 202,514	6		
	<b>Profit attributable to:</b>						
8610	Equity holders of the parent company	\$ 200,252	4	\$ 260,709	7		
8620	Non-controlling interest	30,429	1	38,350	1		
	<b>Profit for the year</b>	\$ 230,681	5	\$ 299,059	8		
	<b>Total comprehensive income attributable to:</b>						
8710	Equity holders of the parent company	\$ 176,902	3	\$ 179,570	5		
8720	Non-controlling interest	28,918	1	22,944	1		
	<b>Total comprehensive income for the year</b>	\$ 205,820	4	\$ 202,514	6		
	<b>Basic earnings per share</b>	6(27)					
9750	<b>Profit for the year</b>	\$	1.21	\$	1.58		
	<b>Diluted earnings per share</b>	6(27)					
9850	<b>Profit for the year</b>	\$	1.20	\$	1.56		

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, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent										
Notes	Retained Earnings					Other equity interest		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 or loss on available-for-sale financial assets			
<b>For the year ended December 31, 2016</b>										
Balance at January 1, 2016	\$ 1,651,361	\$ 275,976	\$ 20,859	\$ 132,987	\$ 200,820	\$ 46,982	(\$ 13,521 )	\$ 2,315,464	\$ 252,259	\$ 2,567,723
Distribution of 2015 earnings:										
Legal reserve	-	-	19,991	-	( 19,991 )	-	-	-	-	-
6(18) Cash dividends	-	-	-	-	( 132,109 )	-	-	( 132,109 )	-	( 132,109 )
6(17) Capital reserve-distribute cash	-	( 33,027 )	-	-	-	-	-	( 33,027 )	-	( 33,027 )
6(19) Profit for the year	-	-	-	-	260,709	-	-	260,709	38,350	299,059
6(28) Other comprehensive income for the year	-	-	-	-	( 2,496 )	( 79,380 )	737	( 81,139 )	( 15,406 )	( 96,545 )
From share of changes in equities of subsidiaries	-	-	-	-	( 1,383 )	-	-	( 1,383 )	-	( 1,383 )
Increase in non-controlling interest	-	-	-	-	-	-	-	-	3,665	3,665
Balance at December 31, 2016	<u>\$ 1,651,361</u>	<u>\$ 242,949</u>	<u>\$ 40,850</u>	<u>\$ 132,987</u>	<u>\$ 305,550</u>	<u>(\$ 32,398 )</u>	<u>(\$ 12,784 )</u>	<u>\$ 2,328,515</u>	<u>\$ 278,868</u>	<u>\$ 2,607,383</u>
<b>For the year ended December 31, 2017</b>										
Balance at January 1, 2017	\$ 1,651,361	\$ 242,949	\$ 40,850	\$ 132,987	\$ 305,550	(\$ 32,398 )	(\$ 12,784 )	\$ 2,328,515	\$ 278,868	\$ 2,607,383
Distribution of 2016 earnings:										
Legal reserve	-	-	26,071	-	( 26,071 )	-	-	-	-	-
Special reserve	-	-	-	45,182	( 45,182 )	-	-	-	-	-

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, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
		Retained Earnings				Other equity interest						
		Share capital -	Capital sur-	Legal reserve	Special re-	Unappropriated	Cumulative	Unrealized				
Notes	common stock	plus			serve	retained earnings	differences of	gain or loss on	Total	Non-controllin	Total equity	
							foreign oper-	available-for-		g interest		
							ations	sale financial				
								assets				
	6(18)	-	-	-	-	( 231,191 )	-	-	( 231,191 )	-	( 231,191 )	
Cash dividends												
	6(17)	-	( 66,055 )	-	-	-	-	-	( 66,055 )	-	( 66,055 )	
Capital reserve-distribute cash												
		-	-	-	-	200,252	-	-	200,252	30,429	230,681	
Profit for the year												
	6(19)	-	-	-	-	( 5,453 )	( 12,789 )	( 5,108 )	( 23,350 )	( 1,511 )	( 24,861 )	
Other comprehensive income for the year												
	6(28)	-	9,871	-	-	-	-	-	9,871	27,332	37,203	
Difference between the price for acquisition or disposal of subsidiaries and carrying amount												
		-	-	-	-	-	-	-	-	( 12,453 )	( 12,453 )	
Decrease in non-controlling interest												
Balance at December 31, 2017		<u>\$ 1,651,361</u>	<u>\$ 186,765</u>	<u>\$ 66,921</u>	<u>\$ 178,169</u>	<u>\$ 197,905</u>	<u>( \$ 45,187 )</u>	<u>( \$ 17,892 )</u>	<u>\$ 2,218,042</u>	<u>\$ 322,665</u>	<u>\$ 2,540,707</u>	

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

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

	Notes	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated profit before tax for the year		\$ 338,313	\$ 382,922
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(9) (24)	38,253	27,644
Amortization	6(24)	30,997	16,272
Gain on financial assets or liabilities at fair value through profit or loss, net	6(22)	( 2,538 )	( 4,841 )
Gain on disposal of financial liabilities at fair value through profit or loss		-	( 870 )
Gain on disposal of financial assets	6(22)	694	( 1,983 )
Provision for doubtful accounts	6(4)	43,442	44,294
Interest income	6(21)	( 14,662 )	( 15,054 )
Interest expense	6(23)	18,154	13,175
Dividend income		-	( 3 )
(Gain)/loss on disposal of property, plant and equipment, net	6(22)	678	745
Share of profit of associates and joint ventures accounted for using equity method		122,847	59,216
Gain on disposal of investments accounted for using equity method, net	6(22)	-	( 31,568 )
Impairment loss on investments accounted for using equity method	6(22)	-	12,308
Share-based payments	6(15)	-	114
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		352,987	( 326,134 )
Notes receivable		16,333	( 26,879 )
Accounts receivable		41,349	( 65,465 )
Accounts receivable - related parties		293	( 4,670 )
Other receivables		6,188	( 3,862 )
Other receivables- related parties		-	51,287
Inventories		( 323,427 )	( 604,572 )
Prepayments		( 11,792 )	( 12,661 )
Other current assets		( 946 )	49,612
Other non-current assets		( 9 )	( 11,906 )
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current		-	( 443 )
Accounts payable		120,701	660,274
Accounts payable - related parties		4,725	-
Other payables		( 64,295 )	96,608
Provisions for liabilities		( 7,698 )	( 3,847 )
Unearned receipts		( 340,082 )	410,665
Other current liabilities		( 1,401 )	( 1,531 )
Accrued pension liabilities		( 7,950 )	( 5,252 )
Cash generated from operations		361,154	703,595
Interest received		14,576	19,309
Interest paid		( 17,553 )	( 12,363 )
Income tax paid		( 87,671 )	( 96,275 )
Dividends received		-	3
Net cash provided by operating activities		270,506	614,269

(Continued)

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

	Notes	2016	2015
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in other financial assets - current		\$ 5,331	\$ -
Increase in other financial assets – non-current		949	17,513
Acquisition of bond investments without active markets		-	( 212,943 )
Proceeds from disposal of bond investments without active markets		41,816	-
Proceeds from disposal of available-for-sale financial assets		1,054	-
Proceeds from disposal of financial assets measured at cost		-	1,983
Proceeds from disposal of investments accounted for using equity method		-	43,641
Acquisition of property, plant and equipment	6(30)	( 167,682 )	( 15,000 )
Proceeds from disposal of property, plant and equipment		531	2,026
Acquisition of intangible assets		( 6,428 )	( 99,742 )
Refundable deposits refunded (paid)		( 636 )	2,689
Net cash used in investing activities		<u>( 125,065 )</u>	<u>( 259,833 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITY</u></b>			
Increase in short-term loans		2,118,999	1,597,314
Decrease in short-term loans		( 1,926,422 )	( 1,413,443 )
Proceeds from long-term loan		129,000	30,000
Repayment of long-term loan		( 27,772 )	( 27,005 )
Guarantee deposits refunded		( 23 )	( 68 )
Proceeds from transaction with non-controlling interests	6(28)	( 3,833 )	-
Acquisition of transaction with non-controlling interests	6(28)	41,036	-
Increase in non-controlling interests		17,944	30,875
Decrease in non-controlling interests		( 29,809 )	( 28,708 )
Cash dividends paid		( 297,246 )	( 165,136 )
Net cash provided by (used in) financing activities		<u>21,874</u>	<u>23,829</u>
Effect of fluctuations in exchange rate		( 5,707 )	( 22,786 )
Net increase (decrease) in cash and cash equivalents		161,608	355,479
Cash and cash equivalents at beginning of year	6(1)	910,191	554,712
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,071,799</u>	<u>\$ 910,191</u>

## Appendix 1

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

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

more than two such postponements for a combined total length of no more than 1 hour may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Law.

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

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

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

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

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

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

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

11. Except with the consent of the Chairperson, a shareholder may not speak for more than twice on the same proposal, and a single speech may not exceed 5 minutes. If a shareholder's speech violates the rules or exceeds the scope of the agenda item or disturbs the order of the meeting, the Chairperson may terminate the speech, and the other shareholders may also request the Chairperson to do so.

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

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

Each shareholder has a voting right per share.

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



21. Matters not stipulated in these Rules shall be handled in accordance with the provisions of the Company Law, other relevant laws and regulations and the Articles of Association of the Company.
22. The Rules are implemented after the adoption of the resolution in the shareholders' meeting, and the same procedure applies to the amendments.
23. The Rules were established on April 29, 1995.  
The first amendment was made on May 23, 1998.  
The second amendment was made on May 14, 2002.

## Appendix 2

### Gallant Precision Machining Co., Ltd.

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

##### Chapter 1 General Provisions

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

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

- 1.CQ01010 Die Manufacturing (restricted to area outside the Science Park)
- 2.F106030 Wholesale of Die (restricted to area outside the Science Park)
3. F113010 Wholesale of Machinery (restricted to area outside the Science Park)
- 4.CC01080 Electronic Parts and Components Manufacturing (restricted to area outside the Science Park)
5. F401010 International Trade
6. CB01010 Machinery and Equipment Manufacturing
7. CE01010 Precision Instruments Manufacturing
8. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
9. CF01011 Medical Materials and Equipment Manufacturing
10. F208031 Retail sale of Medical Equipments
11. F108031 Wholesale of Drugs, Medical Goods
12. D101060 self-usage power generation equipment utilizing renewable energy Industry
- 13.E601010 Electric Appliance Construction
- 14.E601020 Electric Appliance Installation.
- 15.EZ05010 Apparatus Installation Construction

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

- (1) IC Packaging Front End Equipment
  - A. IC Die bonder
  - B. IC Wire bonder
- (2) Flip Chip processing Equipment: Flip Chip Bonder, Chip Sorter, Dispenser Machine
- (3) Semiconductor packaging and testing equipment
- (4) Inspection Equipment for Panel Display Manufacture
- (5) Nano materials testing equipment
- (6) Grid-Connected Solar power system
- (7) Grid-Connected Wind and Solar power system
- (8) Off-Grid Wind and Solar power system
- (9) Off-Grid Wind and Solar Hybrid Power and LED light source Street light

- (10) Other import and export business of related products
- (11) Disposable soft contact lenses
- (12) Functional soft contact lenses

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

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

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

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

## Chapter II Shares

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

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

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

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

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

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

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

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

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

### Chapter 3 Shareholders' Meeting

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

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

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

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

Article 16: For the passing of a resolution in a shareholders' meeting, except as otherwise provided in the Company Law, the shareholders' meeting shall be attended by

more than half of the shareholders, and the resolution shall be approved by more than half of the attending shareholders before its implementation.

Article 16-1: The resolutions of a shareholders' meeting shall be recorded in the shareholders' meeting minutes to be signed or sealed by the chairperson of the shareholders' meeting, and be distributed to the shareholders within 20 days after the meeting. The distribution of the meeting minutes may be carried out by way of a public announcement.

#### Chapter 4 Directors

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

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

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

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

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

olution of the audit committee shall be governed by the relevant laws and regulations.

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

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

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

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

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

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

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

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

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

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

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

#### Chapter 5 Managers

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

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

#### Chapter 6 Accounting

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

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

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

Article 30-1: The Company shall distribute employees' remuneration of not less than 1 percent and not more than 12 percent of the profit of the Company for the current year, and the directors' remuneration which should not be more than 3

percent of the profit of the Company for the current year. However, if the Company still has an accumulated loss, it shall make up for the loss first.

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

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

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

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

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

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

#### Chapter 7 Supplementary Provisions

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

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

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

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

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

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

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



The 5th amendment was made on October 17, 1986.  
The 6th amendment was made on July 8, 1988.  
The 7th amendment was made on October 5, 1989.  
The 8th amendment was made on February 10, 1990.  
The 9th amendment n was made on July 20, 1990.  
The 10th amendment was made on June 30, 1991.  
The 11th amendment was made on October 20, 1991.  
The 12th amendment was made on June 21, 1992.  
The 13th amendment n was made on February 14, 1993.  
The 14th amendment was made on June 18, 1994.  
The 15th amendment was made on April 29, 1995.  
The 16th amendment was made on June 15, 1996.  
The 17th amendment was made on May 23, 1998.  
The 18th amendment was made on June 16, 1999.  
The 19th amendment was made on May 10, 2000.  
The 20th amendment was made on April 19, 2001.  
The 21st amendment was made on April 19, 2001.  
The 22nd amendment was made on May 14, 2002.  
The 23rd amendment was made on May 22, 2006.  
The 24th amendment was made on May 22, 2006.  
The 25th amendment was made on December 14, 2006.  
The 26th amendment was made on June 13, 2007.  
The 27th amendment was made on June 16, 2009.  
The 28th amendment was made on June 14, 2010.  
The 29th amendment was made on June 22, 2011.  
The 30th amendment was made on June 21, 2012.  
The 31st amendment was made on June 20, 2014.  
The 32nd amendment was made on June 17, 2015.  
The 33rd amendment was made on June 27, 2016.  
The 34rd amendment was made on June 16, 2017.

## Appendix 3

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

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

## Appendix 4

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

Book-close date: April 23, 2018

Title	Name	Current shareholding	
		Shares	% of the current shares issued
Chairman	Sheng-Fa Yeh	1,756,793	1.06%
Director	Jason Chen	129,607	0.08%
Director	HSU, HUNG-MING	1,000	0.00%
Director	C Sun MFG. Ltd. Representative: You-Wen Liang	23,863,827	14.45%
Independent Director	Jia-Ching Tung	0	0.00%
Independent Director	Wei-Ren Hung	0	0.00%
Independent Director	Cheng Chen	0	0.00%

Note 1: Total number of shares issued as of April 23, 2018 (book-close date): 165,136,144 shares.

Note 2: Total shareholding legally required of all the directors of the Company: 9,908,168 shares; total shareholding as at April 23, 2018: 25,851,227 shares, the total shareholding of all the directors has reached the required level.

# MEMO