Stock code: 3563

MACHVISION Inc. Co., LTD

Annual report 2018

Inquiry website of this annual report

(1) Public Information Observatory：http://mops.tse.com.tw/

(2) Company Website：http://www.machvision.com.tw

April 30, 2019

1. Name, title, contact number and email address of the spokesperson and agent of the company:

Speaker Name: CHEN/FU-SHEN
Title: General Manager
Telephone: (03) 563-8599
Email address: spokesman@machvision.com.tw
Acting Speaker Name: Tsai Zhengyu
Title: Director of Public Relations Office
Telephone: (03) 563-8599
Email address: spokesman@machvision.com.tw

2. Address and telephone number of Company headquarter, branch office and factory:

Company headquarter: No. 2~3, Industrial East 2nd Road, Hsinchu Science Park
Manufacturing Center: No. 2~3, Industrial East 2nd Road, Hsinchu Science Park
Telephone: (03) 563-8599

3. Name, address, website and telephone number of stock transfer institution:

Name: China Trust Commercial Bank Agency
Address: 5th Floor, No. 83, Section 1, Chongching South Road, Zhongzheng District, Taipei City
Website: http://www.ctbcbank.com
Telephone: (02)6636-5566

4. Name of visa accountant, the firm, address, and website and telephone number of the most recent annual financial report:

Visa accountant: Huang Baishu, Yu Anzhen, CPA
Accountant Firm Name: KPMG Taiwan
Address: 68th Floor, No. 7, Section 5, Xinyi Road, Taipei City
Website: http://www.kpmg.com.tw
Telephone: (02)8101-6666

5. The name of overseas securities trading location and the way to check information of this overseas: not applicable.

6. Company website: http://www.machvision.com.tw

Table of Contents

1. Report to all the shareholders

Thank you for your time to attend our 2019 shareholders' meeting. Looking back over last year, company's consolidated revenue in 2018 was NTD$3.112 billion, a record high since company's establishment, with an annual growth rate of 119%, after-tax net profit was NTD$1,307,717 thousand, an annual growth of 183%. The net profit margin for the year of 2018 was 51%, net profit after tax was 42%, return on assets was 48%, and the return on equity was 71%.

I. Business results for year 2018

(1) Business plan implementation results

Unit: NT$1,000

Item	2018		2017		Increase or decrease	
	Amt.	%	Amt.	%	Amt.	%
Operating income	3,111,876	100	1,420,888	100	1,690,988	119
Operating gross profit	2,166,682	70	909,603	64	1,257,079	138
Operating profit	1,584,152	51	566,258	40	1,017,894	180
Net profit before tax	1,622,224	52	546,790	38	1,075,434	197
Net profit after tax	1,307,717	42	461,424	32	846,293	183
Earnings per share	30.43		10.86		19.57	

(2) Budget execution situation

The company did not disclose financial forecasts for year 2018 and therefore does not apply.

(3) Analysis of financial revenues, expenditures and profitability

Item			2018	2017	2016
Profitability	Return on assets(%)		48	28	15
	Return on equity(%)		71	37	19
	Proportion of paid-up capital (%)	Operating profit	372	133	58
		Pre-tax net profit	381	128	58
	Net profit rate (%)		42	32	25

	Earnings per share (Unit: NTD)	30.43	10.86	4.67

(4) Research and development status

The main research and development achievements of this company in 2018 are as follows:

1. COF Chip AVI
2. RTR AOI

2. Summary of the business plan for year of 2018

Important production and sales policies, future company development strategies and expected sales:

2018 annual growth has grown significantly, not only set a new record for annual revenue history, but also MOM, QOQ and YOY have grown significantly. This is mainly due to the company's product strategy of “Machvision Five Arrows”, in which the first arrow is on Flexible PCB and the development of flexible and regular PCB AOI equipment has enabled the company's market share in the flexible PCB market to rise; as for the second arrow is semiconductor AOI equipment, emphasized the mass production of major customers; the third arrow is regular PCB intelligent AOI 4.0, which is also the growth momentum of year 2018; the fourth arrow is full size scan measuring machines and the fifth arrow is new planning for Chinese customer products, these are all helpful to revenue growth.

Although the global economy in year 2019 is deeply affected by Sino-US trade war, market uncertainties increase, but Machvision has made preparations to expand in deep vertical direction and horizontal new industry two main axes, and increase revenue kinetic energy. Longitudinal deep extension refers to the expansion of the market share of existing products, such as the market external Greater China region PCB and the development of small and medium-sized mainland China markets. These are the markets that have not been indrawn in year 2018. Horizontal new industry expansion refers to the new industry direction of COF, Smart camera and FPCB Assembly AVI, adding new growth momentum. These two policies help to withstand the uncertainties in Sino-US trade war environment and are quite optimistic about year 2019 revenue growth.

The strong R&D capability has always been the core competitiveness of this company, in order to strengthen and maintain this competitive advantage, company will continue to develop three core technologies for automatic optical inspection: first is 2D/3D measurement, second is circuit inspection, and third is appearance inspection, and will actively invest more R & D resources, introduce new research and development technology to develop new products, create larger market, improve performance and profits. In addition to the development of new products, this company is also actively improving the functionality and efficiency of existing products, upgrading existing customer equipment, increasing production capacity and increasing customer satisfaction.

Finally, I would like to thank all shareholders for their support and care, this company's colleagues will continue to work hard to create greater value for all shareholders. We hope that all shareholders will continue to give support and encouragement.

Chairman: WANG/GUANG-SHIAH
General Manager: CHEN/FU-SHEN
Accounting Director: TSAI/CHIA-FEN

2. Company profile

A. Date of establishment June 9th, 1998

B. Company history:

Date	Important events
June, 1998	Established the research and development center of Machvision Technology Co., Ltd., with a paid-up capital of NTD$39,900 thousands. Started development of general-purpose 2.5D measuring machine
March, 1999	Started to develop linear scanning technology.
Sept., 1999	Started development of ultra-high-speed hole position measuring machine.
Dec., 1999	Approved to enter Science Park.
Jan., 2000	Started research and development of micro blind hole measuring machines.
March, 2000	Started development of BGA testing machines and related testing technologies.
March, 2001	Started research and development of thin and wide lines width measuring machines.
May, 2001	The business department was established.
May, 2002	Started research and development of gold finger detectors and related technologies. 。
Aug., 2002	Promote Alpha2000 and Hole-AOI to overseas markets
May, 2003	Invested in the development of circuit AOI.
June, 2003	Capital increase by retain earnings of NTD$17,800 thousands, and the amount of paid-up capital after capital increase was NTD$57,700 thousands.
March, 2004	Established a manufacturing center in R&D 2nd Road.
May, 2004	Capital increase by retained earnings of NTD$13,300 thousands, and the amount of paid-up capital after capital increase was NTD$71,000 thousands.
Dec., 2004	Established Samoa MACHVISION INC.
June, 2005	Established Machvision (Dongguan) Testing Equipment Co., Ltd. The high-speed scanning 3D main body technology was successfully developed.
June, 2005	Capital increase of NTD$29,000 thousands, and the amount of paid-up capital after capital increase was NTD$100,000 thousands.
Jan., 2006	Established the Kaohsiung office and is committed to software development.
June, 2006	Expand the operations center.
June, 2006	Capital increase by retained earnings of NTD$40,000 thousands, and the amount of paid-up capital after capital increase was NTD$140,000 thousands.
Feb., 2007	The manufacturing center is expanding and moved.
Feb., 2007	Capital increase for NTD$21,000 thousands, and the paid-up capital after the

Date	Important events
	capital increase was NTD$161,000 thousands.
May, 2007	Handle stock public offerings.
June, 2007	Company's stock is registered in the trading market.
Aug., 2007	Capital increase by retained earnings of NTD$33,919 thousands, and the amount of paid-up capital after capital increase was NTD$194,919 thousands.
Sept., 2008	Capital increase for NTD$30,578 thousands, and the paid-up capital after the capital increase was NTD$225,496 thousands.
Dec., 2008	Launched a 3D stereo measuring machine.
Feb., 2009	Launched CSP Bump detector and next-generation circuit AOI inspection machine.
March, 2009	Invested in the development of ultra-high-speed inner inspection machine and 3D AOI printing circuit stereo inspection machine.
May, 2009	Launched the second generation AFI automatic appearance final inspection machine.
Aug., 2009	Introduced ultra-high speed inner inspection machine.
Nov., 2009	Launched 3D AOI printed circuit stereo inspection machine.
Dec., 2009	Invested in the development of LED Lead Frame inspection machine.
Sep., 2010	Launched LED Lead Frame high precision measuring machines.
Jan., 2011	Capital increase for NTD$30,070 thousands, and the paid-up capital after the capital increase was NTD$255,566 thousands.
Jan., 2011	Company stock IPO.
March, 2011	Launched FGF flexible PCB gold finger inspection machines.
Aug., 2011	Launched a roll-to-roll AOI inspection machine.
Aug., 2011	Capital increase for NTD$51,113 thousands, and the paid-up capital after the capital increase was NTD$306,679 thousands.
Dec., 2011	Launched FVRS Gold Finger re-inspection machines.
Aug., 2012	Capital increase by retained earnings for NTD$30,668 thousands, and the paid-up capital after the capital increase was NTD$337,347 thousands.
Sep., 2012	Launched FCCSP appearance inspection machine (elastic type).
Oct., 2012	Launched large countertop appearance inspection machine
Dec., 2012	Launched flexible appearance inspection machine.
July, 2013	Capital increase by retained earnings of NTD$33,735 thousands, and the amount of paid-up capital after capital increase was NTD$371,082 thousands.
Aug., 2013	Introduced new automatic appearance inspection machine AFI2 3000x400.
Oct., 2013	Capital increase for NTD$55,000 thousands, and the paid-up capital after the

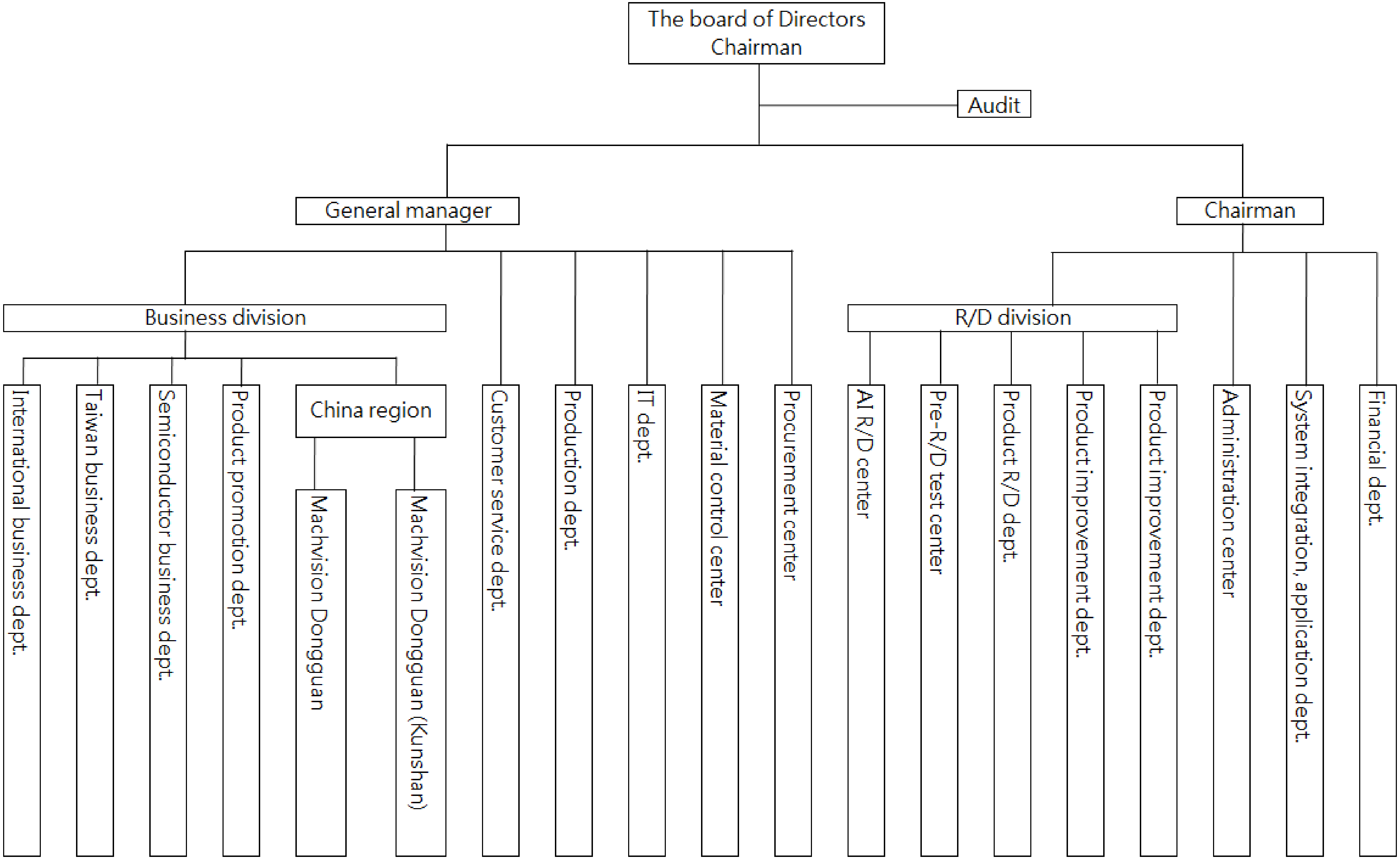
Date	Important events
	capital increase was NTD$426,735 thousands.
Jan., 2014	Moved to newly acquired building, No. 2~3, Industrial East 2nd Road, Hsinchu Science Park.
March, 2015	Launched PCB appearance inspection machine AOFI.
May, 2016	Introduced wafer appearance inspection machine Wafer AVI.
Apr., 2017	Introduced smart AOI 4.0.
Dec., 2017	Launched flexible PCB continuous circuit inspection machine
Aug., 2018	Launched thin film flip chip package appearance inspection machine and thin film flip chip packaging circuit inspection machine.
Sept., 2018	AI R&D Center established.
Feb., 2019	Apply to set up the Bethel Unicorn Incubation Center

3. Corporate Governance Report

A. Organization system

(1) Company organizational structure

The board of Directors, Chairman																	
Audit																	
General manager		Chairman															
Business division		R/D division															
International business dept.	Taiwan business dept.	Semiconductor business dept.	Product promotion dept.	China region	Customer service dept.	Production dept.	Information security management dept.	Material control center	Procurement center	AI R/D center	Pre-R/D test center	Product R/D dept.	Product improvement dept.	Optical, mechanical, electrical R/D dept.	Administration center	System integration, application dept.	Financial dept.
				Machvision Dongguan													
				Machvision Dongguan (Kunshan)													


The board of Directors
Chairman
Audit
General manager
Chairman
Business division
R/D division
International business dept.
Taiwan business dept.
Semiconductor business dept.
Product promotion dept.
China region
Machvision Dongguan
Machvision Dongguan (Kunshan)
Customer service dept.
Production dept.
IT dept.
Material control center
Procurement center
AI R/D center
Pre-R/D test center
Product R/D dept.
Product improvement dept.
Product improvement dept.
Administration center
System integration, application dept.
Financial dept.

(2) Operations of major departments

Department	Tasks and responsibility
Audit Department	1. Check whether company's internal control system continues to operate effectively, whether operational activities are carried out according to established plan, whether laws and regulations are actually followed and propose improvements. 2. Coordinate and promote self-inspection operations of relevant internal control implementations of various departments.
Business Department	1. Responsible for sales, promotion and execution of various products. 2. Responsible for business gathering and market development, analysis and forecasting. Product Promotion Department: Market/product marketing planning activities are promoted.
Customer Service Department	1. Installation, testing, upgrade, customer education training and question and answer after sales of domestic and foreign machines. 2. Various engineering support work within the company.
Production Department	1. Responsible for the formation of all project machines. 2. Support all projects to carry out a large number of on-site upgrades and installations. 3. Technical data management. 4. Responsible for the installation and testing of all project machines. 5. Responsible for all project machines to be handed over to the quality assurance inspection assembly.
Information Security Management Department	1. Responsible for the planning, promotion and management of company information operations. 2. Information computerization promotion center. 3. Various computerized information collection, provision and control. 4. Various software and hardware equipment planning and control. 5. Various computer knowledge education and training implementation promotion center.
System Integration Application Department	1. Integrate system resources of various departments. 2. Process improvement works in various departments.
Material control center	1. Production scheduling. 2. Production/logistics/warehousing management.

Department	Tasks and responsibility
Purchasing Center	1. Plan various direct/indirect material procurement strategies and formulate procurement performance targets. 2. Collect market information on supply and demand and prices of materials in the industry, and maintain good relations with various manufacturers. 3. Integrate production schedule and material balance, and is responsible for production and sales coordination. 4. Inventory management.
R/D Department	Artificial Intelligence R&D Center: 1. Develop and improve AI technologies. 2. AI technologies import to AOI and AVI products.
	Pre-development testing center: 1. Core algorithm development. 2. New technology integration design. 3. Feasibility assessment of new product development.
	Product research and development: 1. Develop and develop new products. 2. Control and conduct development projects. 3. Support the core technologies required for each project development. 4. Collection/induction of project documentations.
	Product Improvement Department: 1. Development and improvement of PCB appearance final inspection machines. 2. Development and improvement of inner and outer circuit inspection machines.
	Opto-Electronics R & D Department: 1. Support the core technologies required for each project development. 2. Optical machine designs and optical machine experiments. 3. Project image data maintenance. 4. Collection and summary of project documents. 5. R&D to production data and technology transfer. 6. Engineering change data transfer (drawing, material list, checklist).
Administration center	Administrative Personnel Center: 1. Coordinating administrative, general affairs, and human resources matters. 2. Planning, coordination and promotion of project plans. 3. Company image and marketing affairs planning and execution. Information Management Center: 1. Responsible for the management of the issuance, recycling, destruction and archiving of related documents. 2. Production, modification, filing and storage of technical

Department	Tasks and responsibility
	documents. 3. Technical drawings, engineering specifications, BOM changes/releases/management. Labor Safety Center: 1. Responsible for work environment safety measures. 2. Emergency response plan. 3. Health implementation of labor safety operations.
Financial Department	1. Responsible for accounting operations, business analysis and tax planning. 2. Responsible for financing planning, fund management and scheduling, and customer credit management. 3. Long-term and short-term investment evaluation and management.

B. Directors, supervisors, general manager, deputy general managers, associate general managers, department and branch heads information

(1) Directors, supervisors

MARCH 31, 2018

Title	Nationality or place of registration	Name	Gender	On board date	Term of office	First on board ate	Holding shares at on board date		Current no. of shares		Spouse, minor children now hold shares		Holding shares with others		Major education/experience qualification	Currently titles serving as this company and other companies	Other managers, directors or supervisors with relationships within the relationship of spouse or second-degree relative		
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relation
Chairman	Republic of China	WANG/GUANG-SHIAH	Male	12/14/18	3 yrs.	05/26/98	1,366,353	3.21%	1,366,353	3.21%	69,654	0.16%	-	-	Ph.D., Institute of Industrial Engineering, Pennsylvania State University Professor, Department of Industrial Engineering Management, Chung Hua University	Company's chief technical officer Director of Machvision (Dongguan) Testing Equipment Co., Ltd. Chairman of Autovision Technology Co., Ltd. (legal representative) Chairman of Sijin Opto (legal representative)	-	-	-

Title	Nationality or place of registration	Name	Gender	On board date	Term of office	First on board ate	Holding shares at on board date		Current no. of shares		Spouse, minor children now hold shares		Holding shares with others		Major education/experience qualification	Currently titles serving as this company and other companies	Other managers, directors or supervisors with relationships within the relationship of spouse or second-degree relative		
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relation
Director	Republic of China	CHUANG/ YUNG-SHUN	Male	12/14/18	3 yrs.	12/07/05	401,721	0.94%	401,721	0.94%	-	-	-	-	Master of International Business Studies, National Taiwan University Master of Business Administration, Tulane University, USA Bachelor of Electronic Engineering, National Taiwan University of Science and Technology Chairman of AAEON Technology Co., Ltd.	Chairman of AAEON Technology Co., Ltd. (legal representative) Chairman of Yenyu Investment Co., Ltd. (legal representative) Chairman of Medical Yang Technology Co., Ltd. (legal representative) Chairman of AAEON Technology (Suzhou) Co., Ltd. (legal representative) Please note 3 for other concurrent positions.			
Director	Republic of China	YU/MING-CHANG	Male	12/14/18	3 yrs.	08/07/08	1,032,829	2.42%	1,032,829	2.42%	16,000	0.04%	-	-	Master of Electrical Engineering, Tsinghua University Deputy General Manager of Stark Technology Co., Ltd.	Supervisor of board of Stark Technology Inc. Director of Aspeed Technology Co., Ltd. (legal representative) Supervisor of board of Ateck OEM Technology Inc. Director of Autovision Technology Co., Ltd. (legal representative)	-	-	-

Title	Nationality or place of registration	Name	Gender	On board date	Term of office	First on board ate	Holding shares at on board date		Current no. of shares		Spouse, minor children now hold shares		Holding shares with others		Major education/experience qualification	Currently titles serving as this company and other companies	Other managers, directors or supervisors with relationships within the relationship of spouse or second-degree relative		
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relation
Director	Republic of China	CHANG/YUNG-YANG	Male	12/14/18	3 yrs.	05/25/07	1,282,842	3.01%	1,282,842	3.01%	-	-	-	-	Doctor of Science and Technology, Institute of Science and Technology Management, Chung Hua University Associate Professor, Kainan University	Associate Professor, Kainan University Chairman of Changhong Enterprise Management Consulting Co., Ltd. Changqiao Certified Public Accountants Supervisor of board of Jiuwei International company	-	-	-
Director	Republic of China	YAN/WEI-CHYUN	Male	12/14/18	3 yrs.	06/08/10	265,433	0.62%	265,433	0.62%	-	-	-	-	Master of Business Administration, City University of New York, USA Chairman and General Manager of Atech OEM Co., Ltd.	Chairman and General Manager of Atech OEM Co., Ltd. Supervisor of board of CipherLab Co., Ltd. Director of board of AAEON Culture Foundation Director of board of AAEON Technology (Suzhou) Co., Ltd. (legal representative) For other concurrent positions, please note 4	—	—	—

Title	Nationality or place of registration	Name	Gender	On board date	Term of office	First on board ate	Holding shares at on board date		Current no. of shares		Spouse, minor children now hold shares		Holding shares with others		Major education/experience qualification	Currently titles serving as this company and other companies	Other managers, directors or supervisors with relationships within the relationship of spouse or second-degree relative		
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relation
Independent director	Republic of China	LEE/TSU-DER	Male	12/14/18	3 yrs.	05/27/16	-	-	-	-	1,000	0.00%	-	-	Bachelor of Dental Medicine, Taipei Medical University Chairman of Taipei Medical University	Advisory Committee of National Health Research Institutes (NHRI) Advisory Committee of the Health and Welfare Regulations of the Department of Health and Welfare Vice Chairman of Diamond Biotechnology Investment Co., Ltd. Director of Swissray Global Healthcare Holding Ltd. Director of Taipei Medical University For other concurrent positions, please note 5	-	-	-

Title	Nationality or place of registration	Name	Gender	On board date	Term of office	First on board ate	Holding shares at on board date		Current no. of shares		Spouse, minor children now hold shares		Holding shares with others		Major education/experience qualification	Currently titles serving as this company and other companies	Other managers, directors or supervisors with relationships within the relationship of spouse or second-degree relative		
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Share holding ratio			Title	Name	Relation
Independent director	Republic of China	YEN/TZONG-MING	Male	12/14/18	3 yrs.	05/26/17	-	-	-	-	-	-	-	-	Master of science, Soochow University Institute of Economics Director of Science and Technology Parks Professor, Department of Business Administration, Chung Hua University	Senior Consultant of Wholetech System Hitech Limited, Supervisor of boar of Alberex Electronic Co., Ltd. Irector of boar of Private Hsinchu Guangfu Senior High School Visiting professor of Institute of Enterprise Management, Huan Chuang University	-	-	-
Independent director	Republic of China	Du Minghan	Male	12/14/18	3 yrs.	12/14/18	-	-	-	-	-	-	-	-	Master of Management Science, Tamkang University Senior Deputy General Manager of Taiwan Microsoft Corporation President of Taiwan World Vision	International World Vision Asia Convener	-	-	-

Note 1: The Company re-elected the directors of Board on December 14, 2007 on temporary shareholders' meeting. The representative of Fu Li Investment Co., Ltd.: CHUANG/YUNG-SHUN and representative of Garnett Ltd. Co.: Zhuang Juwei, as retiring director; Zhuang Yongshun, as new director, YAN/WEI-CHYUN as new director, Du Minghan as new independent director, from December 14, 2018 to December 13, 2021.

Note 2: The Company established an audit committee on the temporary shareholders' meeting on December 14, 2018, and YAN/WEI-CHYUN, Fu Xinbin and Huang Xunan retired supervisors.

Note 3: AAEON DEVELOPMENT INCORPORATED, Director of board, AAEON Electronics Inc. Director of board, AAEON TECHNOLOGY (Europe) BV Director of board, AAEON TECHNOLOGY GMBH Director of board, AAEON TECHNOLOGY SINGAPORE PTE. LTD. Director of board, Mcfees Group Inc. Director of board, Beike Star Venture Capital Company director of board (legal representative), director of board of Lihong Biochemical Technology Co., Ltd., director of board of Guangyang Solar Ltd. Co. (legal representative), director of board of Tongheng Technology Ltd. Co. (legal representative), Director of board of Yayuan Technology (share) company, director of board of Baida Wireless Co., Ltd. (legal representative), director of board of Qiqi Electronics (Dongguan) Co., Ltd. (legal representative), director of board of Danyang Qiqi Technology Co., Ltd. (legal representative), director of board of Chengsheng Biomedical Investment Holding Co., Ltd. Directors of the company (legal representative), director of Mude (Dongguan) Testing Equipment Co., Ltd. (legal representative), chairman of Yanxin Investment Co., Ltd., director of Taiyong Electronics (Suzhou) Co., Ltd. (legal representative), Taihao Electronics (Director of Shanghai Co., Ltd. (legal representative), director of Allied Oriental International Ltd. (legal representative), chairman of the AAEON Culture and Education Foundation, chairman of Fu Li Investment Co., Ltd. Director of Optoelectronics Co., Ltd., Director of Litemax Technology, Inc., Director of Sic Bo Electronics Industry Co., Ltd., Director of Qunzhi Technology Co., Ltd. (legal representative), Chairman of Taiwan University of Science and Technology Innovation Co., Ltd., Cool Point Campus (Shares) Directors of the company (legal representative), chairman of Huiyou Electronics Co., Ltd., director of Huanrui Medical Investment Holding Co., Ltd. (legal representative), director of Fengxin Venture Capital v Company (legal representative).

Note 4: Director of board of AAEON TECHNOLOGY (Europe) BV, Research Institute Technology (share) company director (legal representative), Qiqi Electronics (Dongguan) Co., Ltd. Chairman (legal representative), Danyang Qiqi Technology Co., Ltd. Chairman (legal representative , Independent Director of Mudong Optoelectronics Co., Ltd., Chairman of Yayuan (Yichang) Electronics Co., Ltd. (legal representative), Chairman of Baida Wireless Co., Ltd. (legal representative), Director of ATECH Technology (SAMOA) Ltd. (legal representative)), Director of Growth Profits Group Limited (legal representative), Director of Outstanding Electronics Manufacturer Group Co., Ltd. (legal representative), Supervisor of board of Autovision Technology (share) company, independent director of Yinghua Precision Technology Co., Ltd. Director of the company (legal representative).

Note 5: Director of board of Allied Biotech Co., Ltd., Director of board of Swissray Global Healthcare Holding Ltd., Director of board of Handing Co., Ltd., Chairman of Handing Medical Biotechnology Management Consulting Co., Ltd., Diamond Capital Management Co. Ltd., Director of the company, director of Diamond Biotech Investment Co., Ltd., director of board of Onyx Healthcare Technology Co., Ltd., director of board of Microbio Investment Co., Ltd., and independent director of China General Plastics Co., Ltd.

2. Major shareholders of juristic person shareholders: None.

3. The major shareholder of juristic person shareholder is juristic person shareholder representative: None.

4. Directors and monitors information

March 31, 2018

Condition Name	Have more than five years of work experience and following professional qualifications	In line with independence (Note 1)	Also serves as the number of independent directors of other public

	Business, legal, finance, accounting or corporate business must be lecturer or above of public and private colleges and universities of relevant departments	Judges, prosecutors, lawyers, accountants or others with national examinations approved, required for company business, and specialized professional and technical personnel with certificates	Business, legal, finance, accounting or work experience related to corporate business	1	2	3	4	5	6	7	8	9	10	offering companies
WANG/GUANG-SHIAH	✓		✓					✓	✓	✓	✓	✓	✓	0
YU/MING-CHANG			✓		✓		✓	✓	✓	✓	✓	✓	✓	0
Chang Yongshun	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Chuang Yongzhen (Note 12)			✓	✓			✓		✓	✓	✓	✓	✓	2

Condition / Name	Have more than five years of work experience and following professional qualifications			In line with independence (Note 1)										Also serves as the number of independent directors of other public offering companies
	Business, legal, finance, accounting or corporate business must be lecturer or above of public and private colleges and universities of relevant departments	Judges, prosecutors, lawyers, accountants or others with national examinations approved, required for company business, and specialized professional and technical personnel with certificates	Business, legal, finance, accounting or work experience related to corporate business	1	2	3	4	5	6	7	8	9	10	
YAN/WEI-CHYUN (Notes 12 and 13)			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	2

Condition / Name	Have more than five years of work experience and following professional qualifications			In line with independence (Note 1)										Also serves as the number of independent directors of other public offering companies
	Business, legal, finance, accounting or corporate business must be lecturer or above of public and private colleges and universities of relevant departments	Judges, prosecutors, lawyers, accountants or others with national examinations approved, required for company business, and specialized professional and technical personnel with certificates	Business, legal, finance, accounting or work experience related to corporate business	1	2	3	4	5	6	7	8	9	10	
LEE/TSU-DER			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
YEN/TZONG-MING	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Condition / Name	Have more than five years of work experience and following professional qualifications			In line with independence (Note 1)										Also serves as the number of independent directors of other public offering companies
	Business, legal, finance, accounting or corporate business must be lecturer or above of public and private colleges and universities of relevant departments	Judges, prosecutors, lawyers, accountants or others with national examinations approved, required for company business, and specialized professional and technical personnel with certificates	Business, legal, finance, accounting or work experience related to corporate business	1	2	3	4	5	6	7	8	9	10	
Du Minghan (Note 12)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Each director and supervisor shall meet following conditions during two years prior to the election and during the term of office. please mark“✓” in the space below each condition code.

(1) Not an employee of company or subsidiary companies.
(2) Not a director, supervisor of board of company or subsidiary companies (except for independent directors of subsidiaries of the company or its parent company, which directly and indirectly hold more than 50% of the shares of the company) .
(3) A natural person shareholder who is not the person and his or her spouse, minor child or in the name of another person who holds more than one percent of the total issued shares of the company or top ten shareholders.
(4) Those who are not included in the previous first three paragraphs, such as their spouse, second degree of kinship or other relatives or fifth degree of kinship.
(5) A director, supervisor of board or employee of a juristic person shareholder who is not directly holding more than 5% of total issued shares of the company, or a director, supervisor of board or employee of top five juristic person shareholders.
(6) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of the specific companies or institutions that have financial or business dealings with the company.
(7) Business owners, partners, directors (directors), supervisors (supervisors) of professionals, sole proprietorships, partnerships, companies or institutions that do not provide business, legal, financial, accounting, etc. services or consulting for companies or related companies, Manager and his spouse.
(8) There is no second degree of kinship relationship between other directors, such as a spouse or second degree of kinship.
(9) There is no one of the sections of Article 30 of Companies Act.

(1) General Manager, Deputy General Manager, Associate General Managers, Head of Departments and Branches

March 31, 2018

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Elected (on boar) date</th><th colspan="2">Holding shares</th><th colspan="2">Spouse, minor children holding shares</th><th colspan="2">Holding shares with others name</th><th rowspan="2">Major Education/Experience</th><th rowspan="2">Currently holding positions of other companies</th><th colspan="3">Spouse or second degree of kinship relationship as manager</th></tr>
<tr><th>No. of shares</th><th>Holding ratio</th><th>No. of shares</th><th>Holding ratio</th><th>No. of shares</th><th>Holding ratio</th><th>Title</th><th>Name</th><th>Relation</th></tr>
<tr><td>Chairman and Chief Technology Officer of R/D dept.</td><td>Republic of China</td><td>WANG/GUANG-SHIAH</td><td>Male</td><td>07/01/06</td><td>1,366,353</td><td>3.21%</td><td>69,654</td><td>0.16%</td><td>-</td><td>-</td><td>Ph.D. in Industrial Engineering, Pennsylvania State University, USA
Professor, Department of Industrial Engineering Management, Chung Hua University</td><td>Director of board of Machvision (Dongguan) Testing Equipment Co., Ltd.
Chairman of board of Autovision Technology Co., Ltd.
Chairman of the Board of Sijin Co. Ltd.</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>General Manager</td><td>Republic of</td><td>CHEN/FU-SHEN</td><td>Male</td><td>04/10/14</td><td>26,000</td><td>0.06%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Master of Industrial Engineering, Tsinghua University
Wafer works Group Chairman Special</td><td>Chairman of Machvision Korea Co., Ltd.
Chairman of Guangdong</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Title	Nationality	Name	Gender	Elected (on boar) date	Holding shares		Spouse, minor children holding shares		Holding shares with others name		Major Education/Experience	Currently holding positions of other companies	Spouse or second degree of kinship relationship as manager		
	China										Assistance and Deputy General Manager of Subsidiary Operations Associate deputy General Manager of Alpha Crystal Technology Corporation Chip Business Group Senior Technology manager and subsidiary assistant director of United Renewable Energy Co., Ltd Manager of Etching Engineering Department, Winbond Electronics, Wafer 4	Jusen Intelligent Equipment Co., Ltd.			
Executive Deputy General Manager	Republic of China	HUANG/CHIA-HSING	Male	06/21/10	91,847	0.22%	-	-	-	-	Master of Industrial Engineering, Pennsylvania State University, USA Manager of Excel System Inc. Business commissioner of Startek Engineering Inc.	Chairman of Machvision (Dongguan) Testing Equipment Co., Ltd.	-	-	-
Financial and accounting director	Republic of China	TSAI/CHIA-FEN	Female	11/11/14	-	-	-	-	-	-	Master of Business Administration, Shih Chien University Master of Science and Technology Management, Tsinghua University Manager of PwC Taiwan Finance Department Manager of Huajing Technology Co., Ltd. Assistant manager of Wholetech System Hitech Limited	NA	-	-	-

(3) Remuneration of directors, supervisors of board, general managers and deputy general managers in the most recent year

1. Remuneration of directors (including independent directors)

December 31, 2018 Unit: thousand shares; NTD$1,000

Title	Name	Director's remuneration								The ratio of A, B, C and D four items totals to net profit after tax		Part-time employees receive relevant remuneration								The total amount of seven items A, B, C, D, E, F and G as a percentage of net profit after tax		Whether to receive the remuneration from other than subsidiary companies
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C) (Note 1)		Business execution cost (D)				Salary, bonus and special expenses, etc. (E)		Retirement pens (F)		Employee compensation (G) (Note 1)						
		This company	All companies in financial report	This company	All companies in financial report	This company	All companies in financial report	This company	All companies in financial report	This company	All companies in financial report	This company	All companies in financial report	This company	All companies in financial report	This company		All companies in financial report		This company	All companies in financial report	
																Cash amount	Cash amount	Cash amount	Cash amount			
Chairman	WANG/GUANG-SHIAH	—	—	—	—	21,455	21,455	255	255	1.66%	1.66%	6,389	6,389	—	—	24,890	—	24,890	—	4.52%	4.52%	—
Director	CHUANG/YUNG-SHUN																					
Director	YAN/WEI-CHYUN																					
Director	YU/MING-CHANG																					
Director	CHANG/YUNG-YAN																					

	G																					
Independent Director	LEE/TSU-DER																					
Independent Director	Yan Zongming																					
Independent Director	Du Minghan																					

Note 1: The remuneration of directors and the remuneration of employees have not yet been decided, which is based on the percentage of the allocation in previous year.

Reward level table

Remuneration level paid to each director of this company	Name of director			
	The total compensation of first four items (A+B+C+D)		The total compensation of the first seven items (A+B+C+D+E+F+G)	
	This company (Note 8)	All companies in financial report (Note 9)	This company (Note 8)	All companies in financial report (Note 9)
Lower than NTD$2,000,000	CHUANG/YUNG-SHUN (Note 1), YAN/WEI-CHYUN (Note 1), YU/MING-CHANG, CHANG/YUNG-YANG, LEE/TSU-DER, YEN/TZONG-MING, Du Minghan (Note 1), Fu Li Investment Co. Ltd. representative: CHUANG/YUNG-SHUN (Note 1), Jianit Co. Ltd. representative: Chuang Weiwei (Note 1)	CHUANG/YUNG-SHUN (Note 1), YAN/WEI-CHYUN (Note 1), YU/MING-CHANG, CHANG/YUNG-YANG, LEE/TSU-DER, YEN/TZONG-MING, Du Minghan (Note 1), Fu Li Investment Co. Ltd. representative: CHUANG/YUNG-SHUN (Note 1), Jianit Co. Ltd. representative: Chuang Weiwei (Note 1)	CHUANG/YUNG-SHUN (Note 1), YAN/WEI-CHYUN (Note 1), YU/MING-CHANG, CHANG/YUNG-YANG, LEE/TSU-DER, YEN/TZONG-MING, Du Minghan (Note 1), Fu Li Investment Co. Ltd. representative: CHUANG/YUNG-SHUN (Note 1), Jianit Co. Ltd. representative: Chuang Weiwei (Note 1)	CHUANG/YUNG-SHUN (Note 1), YAN/WEI-CHYUN (Note 1), YU/MING-CHANG, CHANG/YUNG-YANG, LEE/TSU-DER, YEN/TZONG-MING, Du Minghan (Note 1), Fu Li Investment Co. Ltd. representative: CHUANG/YUNG-SHUN (Note 1), Jianit Co. Ltd. representative: Chuang Weiwei (Note 1)
NTD$2,000,000 (inclusive)~TD$5,000,000 (excluded)	WANG/GUANG-SHIAH	WANG/GUANG-SHIAH	—	—
NTD$5,000,000 (inclusive)~NTD$10,000,000 (excluded)	—	—	—	—
NTD$10,000,000 (inclusive)~NTD$15,000,000 (excluded)	—	—	—	—
NTD$15,000,000 (inclusive) ~ NTD$30,000,000 (excluded)	—	—	WANG/GUANG-SHIAH	WANG/GUANG-SHIAH
NTD$30,000,000 (inclusive) ~ NTD$50,000,000 (exclude)	—	—	—	—
NTD$50,000,000 (inclusive)~NTD$100,000,000 (excluded)	—	—	—	—
More than NTD$100,000,000	—	—	—	—
Total	11 persons	11 persons	11 persons	11 persons

Note 1: This Company re-elected the directors at the shareholders' meeting on December 14, 2018. Representatives of Fuli Investment Co., Ltd.: CHUANG/YUNG-SHUN and Garnett (share) company representatives: Chuang Juwei quitted director; CHUANG/YUNG-SHUN as new director, YAN/WEI-CHYUN as new director, Du Minghan as new independent director.

2. Remuneration of supervisor of board

Dec. 31, 2018, Unit: thousand shares; NTD$1,000

Title	Name	Remuneration of supervisor of board	The ratio of total A, B	Whether to receive

		Remuneration (A)		Remuneration (B) (Note 1)		Business execution Fee (C)		and C to the net profit after tax		remuneration other than from subsidiary companies
		This company	All companies in financial report	This company	All companies in financial report	This company	All companies in financial report	This company	All companies in financial report	
Supervisor	Huang Xunan	—	—	10,582	10,582	50	50	0.81%	0.81%	-
Supervisor	Fu Xinbin									
Supervisor	Du Minghan									

Note 1: The remuneration of directors and employees have not yet been decided, which is based on the percentage of the allocation in previous year.

Reward level table

Paid remuneration tto company's supervisors' level	Name of supervisor of board	
	The total remuneration of first three items (A+B+C)	
	This company (Note 6)	All companies in financial report (Note 7)
Lower than NTD$2,000,000	YAN/WEI-CHYUN, Fu Xinbin, Huang Xunan	YAN/WEI-CHYUN, Fu Xinbin, Huang Xunan
NTD$2,000,000 (inclusive)~NTD$5,000,000 (excluded)		
NTD$5,000,000 (inclusive)~NTD$10,000,000 (excluded)	-	-
NTD$10,000,000 (inclusive)~NTD$15,000,000 (excluded)	-	-
NTD$15,000,000 (inclusive)~NTD$30,000,000 (excluded)	-	-
NTD$30,000,000 (inclusive)~NTD$50,000,000 (excluded)	-	-
NTD$50,000,000 (inclusive)~NTD$100,000,000 (excluded)	-	-
More than NTD$100,000,000	-	-
Total	3 Persons	3 Persons

3. Remuneration of general manager and deputy general managers

December 31, 2018 Unit: thousand shares; NTD$1,000

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses (C) (Note 3)		Surplus distribution of employee bonus amount (D) (Note 4)				The ratio of four items A, B, C and D total amount to the net profit after tax (%) (Note 9)		Obtain the amount of employee stock option certificate (Note 5)		Obtain new shares of restricted employees' rights (Note 11)		Whether to receive remuneration other than subsidiary company (Note 10)
								This company		All companies in financial report (Note 5)								
		This company	All companies in financial report (Note 6)	This company	All companies in financial report (Note 6)	This company	All companies in financial report (Note 6)	Cash bonus amount	Stock dividend amount	Cash bonus amount	Stock dividend amount	This company	All companies in financial report (Note 6)	This company	All companies in financial report (Note 6)	This company	All companies in financial report (Note 6)	
Chief Technical Office General Manager Executive Vice President	WANG/GUANG-SHIAH CHEN/FU-SHEN HUANG/CHIA-HSING	7,887	7,887	228	228	2,278	2,278	46,224	—	46,224	—	4.31%	4.31%	—	7,887	7,887	228	228

Note 1: Employee compensation has not yet been decided, based on the percentage of the allocation in previous year.

Remuneration level table

Remuneration level of general manager and deputy general managers of this company	Name of general manager and deputy general managers	
	This company (Note 7)	All companies in financial report (Note 8)
Lower than NTD$2,000,000	-	-
NTD$2,000,000 (inclusive) ~ NTD$5,000,000 (excluded)	HUANG/CHIA-HSING	HUANG/CHIA-HSING
NTD$5,000,000 (inclusive) ~ NTD$10,000,000 (excluded)	CHEN/FU-SHEN	CHEN/FU-SHEN
NTD$10,000,000 (inclusive) ~ NTD$15,000,000 (excluded)	WANG/GUANG-SHIAH	WANG/GUANG-SHIAH
Total	3 persons	3 persons

4. Name and distribution of managers who distributed the employee bonus

December 31, 2018 Unit: thousand shares; NTD$1,000

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock dividend amount</th><th>Cash bonus amount</th><th>Total</th><th>The ratio of total amount to net profit after tax (%)</th></tr>
<tr><td rowspan="4">Manager</td><td>Chief technical office</td><td>WANG/GUANG-SHIAH</td><td rowspan="4">-</td><td rowspan="4">8,667</td><td rowspan="4">8,667</td><td rowspan="4">0.66%</td></tr>
<tr><td>General manager</td><td>CHEN/FU-SHEN</td></tr>
<tr><td>Executive Vice President</td><td>HUANG/CHIA-HSING</td></tr>
<tr><td>Finance and Accounting Director</td><td>TSAI/CHIA-FEN</td></tr>
</table>

(1) Comparing the Company's and the consolidated statements to the analysis of the total net profit of the directors, supervisors, general managers and deputy general managers of this Company in the last two years respectively. It also describes the policies, standards and combinations of the emoluments, the procedures for determining emoluments and the correlation with business performance and future risks.

1. The ratio of remuneration to net profit after tax

This company - year 2016	Financial report to all companies – year 2016	This company - year 2017	Financial report to all companies – year 2017	This company - year 2016
6.28%	6.28%	4.35%	4.35%	6.28%
0.80%	0.80%	0.92%	0.92%	0.80%
8.71%	8.71%	2.99%	2.99%	8.71%

2. This Company's payment of remuneration policies, standards and portfolios, procedures for determining emoluments and correlations with business performance and future risks:

(1) Directors and supervisors' remuneration:

This Company has established a salary remuneration committee in accordance with the regulations of competent authority. Therefore, the remuneration of directors and supervisors in the past two years is based on the "Board Performance Evaluation Method" set by this Company, and is based on the salary and remuneration committee in accordance with the normal level of the industry. After the rationality of the company's operating performance and future risks, the recommendations were submitted to the board of directors for discussion and approval.

(2) Remuneration for General Manager and Deputy General Managers:

This company has established a salary remuneration committee in accordance with the regulations of competent authority. Therefore, the remuneration of general manager and deputy general managers in the past two years (including salary, annual routine salary adjustment, year-end bonus and performance bonus, etc.) must be recommended by the salary remuneration committee according to law. Submitted to the board of directors for discussion, in which annual routine salary adjustment and year-end bonus are based on company's current year policy, and performance bonus is based on company's profitability and individual performance.

(3) Future risks:

This Company's individual emoluments are subject to internal and prudent assessment and are reviewed and resolved by Compensation Committee and the Board of Directors without significant future risks.

C. Corporate governance operations condition

(1) Operation condition of the board of directors

In 2018, the seventh board of directors had 7 meetings, and the eighth board of directors had 2 meetings. The directors attended were listed as follows:

Title	Name	Actual attendance	Entrusted attendance	Actual attendance rate (%)	Remarks
Chairman	WANG/GUANG-SHIAH	9	0	100%	
Director	Fu Li Investment Co. Ltd. representative: CHUANG/YUNG-SHUN	6	0	86%	Discharged, director re-election, date of discharge December 14, 2018
Director	Jianit Co. Ltd. representative: Chuang Zhuwei	7	0	100%	Discharged, director re-election, date of discharge December 14, 2018
Director	YU/MING-CHANG	9	0	100%	
Director	CHANG/YUNG-YANG	9	0	100%	
Independent Director	LEE/TSU-DER	7	0	78%	
Independent Director	YEN/TZONG-MING	9	0	100%	
Director	CHUANG/YUNG-SHUN	2	0	100%	New appointment, director re-election, appointment date December 14, 2018
Director	YAN/WEI-CHYUN	2	0	100%	New appointment, director re-election, appointment date December 14, 2018
Independent Director	Du Minghan	2	0	100%	New appointment, director re-election, appointment

					date December 14, 2018
Chairman	WANG/GUANG-SHIAH	9	0	100%	

Other items to be recorded:

1. If the operation of board of directors is in any of the following circumstances, the date, period, content of the proposal, the opinions of all independent directors and this company's opinion on the independent directors shall be stated:
   (1) Matters listed in Article 14 of the Securities Exchange Law: None.
   (2) In addition to the pre-opening matters, other matters of the board meeting that have been objected to or retained by independent directors and have a record or written statement: None.
2. The directors shall state the name of the directors, the content of motion, the reasons for the avoidance of interests and the participation in voting situation: None.
3. The objectives of strengthening the functions of the board of directors in the current and most recent years (such as setting up an audit committee, improving information transparency, etc.) and performance evaluation:
   1. Strengthen the objectives of the board of directors:
      (1) The Company has set up a salary remuneration committee in year 2011. It has been responsible for assisting the board of directors in regular evaluation, setting salary remuneration for directors and managers, and regularly reviewing policies, systems and standards and structure for performance appraisal and salary remuneration of directors and managers.
      (2) The independent directors of this Company regularly communicate with internal audit supervisors and accountants on company's financial reports and financial and business conditions. Relevant communication information has been disclosed on the company's website.
   2. Improve information transparency:
      (1) This company's financial information, major resolutions and other information have been published in the public information observatory according to regulations. Company's business information is also disclosed on the company's website, and shareholders can obtain information in a timely manner.
      (2) Hold more than two juristic person meetings per year from time to time. Public investors obtain relevant information of company and increase shareholders' approval of company.

(1) The supervisor of the board of directors' participation in the operation of the board of directors

The board of directors in year 2018 held 7 meetings, as follows:

Title	Name	Actual attendance	Actual attendance rate (%)	Remarks

Title	Name	Actual attendance	Actual attendance rate (%)	Remarks
Supervisor	YAN/WEI-CHYUN	6	86%	Discharge, set up an audit committee to replace supervisor system, the date of discharge was December 14, 2018
Supervisor	Fu Xinbin	6	86%	Discharge, set up an audit committee to replace supervisor system, the date of discharge was December 14, 2018
Supervisor	Huang Xunan	6	86%	Discharge, set up an audit committee to replace supervisor system, the date of discharge was December 14, 2018

Other items to be recorded:

1. Composition and responsibilities of supervisor of board of directors:
   (1) Communication between the supervisor and company's employees, shareholders (such as communication channels, methods, etc.): the supervisors of this company understand the company's situation by attending the board of directors and shareholders' meeting. If necessary, they must communicate directly with employees and shareholders. Revealing the supervisor's e-mail for employees and shareholders to directly communicate with the supervisor, so the communication channel with this company's employees and shareholders is smooth.
   (2) Communication between the supervisor and the internal audit heads and accountants (such as matters, methods and results of communication on the company's financial and business conditions): company's supervisors regularly review company's internal audit reports and accountant's audit reports, if necessary It is necessary to communicate directly with the internal audit heads and accountants, so the communication channel is smooth.
2. If the supervisor of board of directors attends the board of directors meeting, if there is any opinion, it shall state the date, period, contents of proposal, the resolution of the board of directors and the company's handling of the opinions of supervisor: none.

(1) Audit Committee operation conditions

Audit Committee held 1 meeting in 2018 and as following:

Title	Name	Actual no. of attendance	Actual attendance rate (%)	Remarks
Independent	LEE/TSU-DER	1	100%	New appointment, the Audit Committee was established on

Title	Name	Actual no. of attendance	Actual attendance rate (%)	Remarks
director				December 14, 2018
Independent director	YEN/TZONG-MING	1	100%	New appointment, the Audit Committee was established on December 14, 2018
Independent director	Du Minghan	1	100%	New appointment, the Audit Committee was established on December 14, 2018

Other items should be recorded:

1. The operation of the Audit Committee shall state the date, time of the Board, the contents of proposal, the results of the resolution of the Audit Committee, and the company's handling of the opinions of the Audit Committee if any of following circumstances occurs.

(1) The matters listed in Article 14 of the Securities Exchange Act.

(2) In addition to the pre-opening matters, other matters that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors.

Board meeting date	The contents of proposal and its follow-up	The matters listed in Article 14 of the Securities Exchange Act	Whether it has been approved by the Audit Committee and has been approved by more than two-thirds of the entire Board of Directors
The first meeting of the first section on Dec. 14, 2018	Approved mid-2018 "Internal Control Statement"	Yes	No
	Approved CPA's independence, eligibility (including performance) periodic assessment	Yes	No
	Approved year 2019 accredited CPA's	Yes	No
	Approved year 2019 annual audit plan	Yes	No
	Results of the Audit Committee Resolution: All members of the Audit Committee agreed to approve		
	The company's handling of the resolution of the audit committee: all attending directors agreed to approve		

Title	Name	Actual no. of attendance	Actual attendance rate (%)	Remarks

2. The implementation conditions of the independence director's evasion of the interest relationship shall state the name of the independent directors, the contents of the proposal, the reasons for the avoidance of interest, and the participation in voting: none

3. The communication situation between the independent directors and the internal audit heads, CPA’s (shall include the major issues, methods and results of the company's financial and business conditions).

Period/date	Communication situation
Jan. 2018	Discuss with the finance director and audit supervisor the status of the financial report and related issues.
Oct. 2018	During the communication period with the chairman of the board of directors and auditors, check related matters.
Dec. 2018	Discuss with the audit supervisor year 2019 annual audit plan. Risk assessment related matters
Independent directors have direct and good communication channels with internal auditors and CPA’s. The internal audit supervisors report to the audit committee and interacts with the independent directors in the audit committee held quarterly according to the annual audit plan and the actual implementation situation; the internal audit supervisors report to independent directors and make necessary reports every month. CPA’s attend the audit committee irregularly to communicate and interact with the independent directors on the review or check of financial reports or financial, tax or internal control related issues. The important contents of independent directors' communication and interaction between the audit committee and the financial supervisors, accounting supervisors, internal audit supervisors and CPA’s is recorded in the audit committee's proceedings.	

(1) Corporate governance operations and the difference, reasons for the difference between other public companies' practice rules:

Assessment item	Operation situation			Differences and reasons for corporate governance with other public companies
	Yes	No	Summary description	
1. The company's shareholding structure and shareholders' equity (1) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures? (2) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual control company? (3) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises? (4) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market	V		(1) The company has a dedicated staff of spokespersons and acting spokespersons, and has an investor's e-mail address to deal with shareholders' suggestions, doubts or opinions; if disputes and litigation matters, they are assisted by lawyers. (2) The Company entrusted the share-based agency to handle matters related to the share-trading and the changes in the list of the ultimate controllers of the major shareholders and major shareholders of actual control company. (3) The Company has established an internal control system and has a sound financial, business and accounting management system. The transactions with related companies are handled in accordance with the "Business Procedures for Group Companies, Specific Companies and Related Persons" of the Company. (4) The Company has set out the relevant matters	No major differences

to buy and sell securities?			concerning the specification of "Internal major information processing and prevention of internal transaction management procedures".	
2. Does this company formulate and expose the Code of Practice for Corporate Governance in accordance with that on public companies?	V		The Company has established a "Code of Practice for Corporate Governance" based on the "Code of Practice for Corporate Governance on public Companies" and disclosed it on the company's website.	No major differences
3. The composition and duties of the board of directors (1) Does the board of directors formulate a diversified policy and implement it in terms of membership?	V		(1) According to the "Code of Practice for Corporate Governance" of the Company, the composition of the board of directors has implemented diversification policy, and the members of the board of directors have different genders, professional backgrounds and work areas (Note 1). When setting up a board of directors, the company considers board diversity in a number of ways, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, and knowledge and service tenure. All appointments to the Board are based on the principle of meritocracy and take into account the diversity of board members in objective terms when	No major differences

			considering candidates. The company has eight directors and three independent directors. The background of the board of directors covers the fields of management, science and engineering, finance and medicine, and is a technology industry operator, a professor of colleges and universities, an accountant, etc., with a background of industry, academics and knowledge, and can give professional advice from different angles. It is of great help to improve the company's business performance and management efficiency.	
(2) Does the company voluntarily set up other functional committees in addition to salary remuneration committee and audit committee?			(2) The Company has set up the Remuneration Committee and the Audit Committee according to the law; other functional committees will be established according to the necessity of company's operational status	
(3) Does the company stipulate the performance appraisal methods of the board of directors and their assessment methods, and conduct performance evaluations every year and regularly?			(3) The evaluation of performance of the board of directors of the Company shall be handled in accordance with the "Measures for Performance Evaluation of the Board of Directors" of the Company. Performance is assessed against the attendance and contribution of directors and	

(4) Does the company regularly assess the independence of CPA’s?				supervisors. 1. Attendance rate: (60% of total remuneration) Calculate the distribution ratio based on the attendance rate and term of the board of directors. The calculation formula is based on the ratio of the base of each person to the total number of directors, and the formula for calculating the base of each person is “personal attendance/(total number of meetings-1)” 2. Contribution: (40% of total remuneration) Based on the degree of contribution of directors and supervisors to the company, chairman evaluates and formulates the distribution ratio according to the following items. (1) Those who contribute to the promotion of the company's business. (2) Assisting the company in contributing to the development of the normal business. The directors’ remuneration is paid annually based on the above assessment results. The directors' remuneration of the company shall,	

			in accordance with the provisions of Article 26 of the Articles of Association, deduct the amount of accumulated losses from the pre-tax profit of the current year after deducting the employee's remuneration and the remuneration of the directors, if there is still a balance of not more than 3% for directors' remuneration. (4) According to the "Accounting Assessment and Performance Evaluation Measures" of the Company, Finance Department conducts the assessment of the independence of CPA's at the end of each year; the assessment process and results of year 2018 were reported to the Board of Directors on December 24, 2018. The year 2018 independence and eligibility assessment is outlined below: (1) Evaluate the independence and eligibility of accountants in accordance with the Code of Practice for Accountants' Professional Ethics, No. 10 "Integrity, Fairness, Objectiveness and Independence" and the Code 29 of Practice for Governance of Public Companies. (2) Each quarter, the accounting firm provides a "transcendental independence	

			statement" signed by members of the audit service team to assess its independence; and assess the eligibility of accountant's experience. The "Transitional Declaration of Independence" signed by the members of the Audit Services Team confirms that the members have not violated the relevant laws and regulations of independence and are not dissatisfied. (3) Review the independence of CPA's and check whether it is a director, supervisor, shareholder or a salary of the company, and confirm its non-interested person. In addition, CPA's must avoid the direct or interested parties and the rotation of accountant, and must comply with relevant regulations. (Note 2)	

4. Whether the public company has set up a corporate governance special (part-time) unit or personnel responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors of the board of directors to conduct business, and handling matters related to meetings of the board of directors and shareholders meeting in accordance with the law, handling company registration and change registration, making board of directors and shareholders meeting, etc.)	V		(1) Corporate Governance personnel: the highest header of the financial department of company. (2) Terms of responsibility: Responsible for corporate governance related matters, providing information required for the directors, supervisors of the board of directors and functional committees to carry out business, compiling the relevant agenda and minutes of the board of directors and shareholders' meeting, and the implementation of the business in current year, and handling the company registration and change registration and other related matters.	No major differences
5. Does the company establish communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the company's website, and respond appropriately to important corporate societies of concern to stakeholders? Responsibility issues?	V		This company has set up a stakeholder area on the company's website to provide stakeholders with communication methods and channels to deal with and respond to important corporate responsibility issues of concern to stakeholders.	No major differences
6. Does the company appoint a professional stock agency to handle the affairs of shareholders' meeting?	V		The Company has appointed the agent department of China Trust Commercial Bank Co., Ltd. to handle the affairs of the shareholders' meeting.	No major differences

7. information disclosure (1) Does this company set up a website to disclose financial, business and corporate governance information? (2) Whether the company adopts other methods of information disclosure (such as setting up an English website, designating a person to be responsible for the collection and disclosure of company information, implementing spokesperson system, and setting up company website during legal person briefing process)?	V		(1) This Company has disclosed information on financial, business and corporate governance on the investor relations and corporate social responsibility zones of company's website. (2) The company's website is available in English version with one speaker and one acting spokesperson. There is also a dedicated person responsible for the collection and disclosure of company information, and a briefing and video recording process for the corporate briefing in shareholder column.	No major differences
8. Does this company have other important information that helps people to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relationships, stakeholder rights, directors and supervisors' training, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the company's purchase of liability insurance for directors and	V		(1) Employees' rights and interests: in addition to the establishment of Staff Welfare Committee and the implementation of pension system, this company has set up a “opinion box” for employees to directly respond to opinions and ensure employee rights and interests (2) Employee care: planning employee group insurance, regular health check, and handling various employee education and training. This company always attaches great importance to the physical, mental health and learning,	No major differences

supervisors, etc.)			development of employees. (3) Investor relations: this Company has legally required to disclose company information in an honest manner to protect investors and fulfill the responsibility of the company to shareholders. (4) Supplier relationship: this company and suppliers have always maintained good relations. Maintain a smooth communication channel with suppliers and safeguard the rights and interests of both parties on the basis of mutual trust and mutual benefit. (5) Rights of interested parties: this company has a spokesperson and an acting spokesperson for the spokesperson, and has an e-mail address to deal with stakeholder suggestions, doubts or opinions; if disputes and litigation matters, Coordinated by a lawyer. (6) Training situation of directors, supervisors of the board of directors and managers: the directors, supervisors of the board of directors and managers of this company have industry professional background and management experience, and at least 6 hours of corporate governance courses are taught each year. The	

			training conditions of directors and supervisors of the board of directors see (Note 3). (7) Implementation of risk management policies and risk measurement standards: the internal control system of this company and the necessary management regulations have been approved by the board of directors or shareholders' meeting. Audit and report to the board of directors on a quarterly basis. (8) Implementation of customer policy: this company strictly abides by the contracts and related regulations signed with customers, and ensures the relevant rights and interests of customers and provides good service quality. (9) The situation in which the company purchased liability insurance for directors and supervisors of the board of directors: insured liability insurance for Tokyo Marine Newa Insurance Co., Ltd. for all directors and supervisors.	

9. Please confirm the improvement of the company's corporate governance evaluation results of the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the past year, and propose priorities and measures for those who have not yet improved.

Each year, this company reviews the results of recent corporate governance evaluations and the company's corporate governance evaluation indicators released in the most recent year, and examines the indicators that are still in line with scoring standards, arranges improvement schedule and has completed the improvement of most of non-compliance projects.

Note 1: Board member diversity condition

Diversified Item Name of director	Gender	Management	Leadership strategy	Industrial knowledge	Financial Accounting	Law	Medical leadership	Remarks
WANG/GUANG-SHIAH	Male	V	V	V				
CHUANG/YUNG-SHUN	Male	V	V	V				
Chuang Juwei	Female	V	V					Discharged on Dec.14,2018
YU/MING-CHANG	Male	V	V	V				
CHANG/YUNG-YANG	Male	V		V	V	V		
LEE/TSU-DER	Male	V	V				V	
YEN/TZONG-MING	Male	V	V	V	V	V		
YAN/WEI-CHYUN	Male	V	V	V	V			New appointed on etc. 14, 2018
Du Minghan	Male	V	V	V				New appointed on etc. 14, 2018

Note 2: CPA independence evaluation criteria

Evaluation items	Evaluation result	Whether it is independent
1. Does CPA has direct or significant indirect financial interest relationship with this company?	No	Yes
2. Does CPA has financing or guarantee behavior with the company or the directors of the company?	No	Yes
3. Does CPA has close business relationship and potential employment relationship with the company?	No	Yes

4. CPA and his/her audit team members have the current position in the company in last two years as a director, manager or a position that has a significant impact on the audit work.	No	Yes
5. Does CPA have non-audit services for the company that may directly affect the audit work?	No	Yes
6. Does CPA have stock or other securities issued by the company?	No	Yes
7. Does CPA have a conflict with the company or coordinate with other third parties on behalf of the company?	No	Yes
8. Does CPA have kinship with the directors, managers of the company or those who have significant influence on the audit case?	No	Yes

Note 3: (1) Directors and supervisors of the board of directors training situation

Name	Date	Organizer	Course / Lecture Name	Duration
WANG/GUANG-SHIAH	03/16/18	Taiwan Circuit Board Association	Standard Forum - Facing the next era of Taiwan's PCB industry	2 Hrs.
	07/18/18	Securities counter trading center	OTC, Emerging stock companies insider counter meeting, insiders' equity seminar	3 Hrs.
	11/29/18	KPMG Leadership College	Driven by corporate governance to drive digital transformation and master digital risk	3 Hrs.
Chuang Yon shun	04/11/18	Taiwan Financial Research Institute	Family business heritage	3 Hrs.
	05/15/18	Taiwan Listed company association	Enterprise sustainable enterprise evergreen	2 Hrs.
	06/15/18	Taiwan Listed company association	New Southbound Biparture: Advancing South Asia	2 Hrs.
	07/16/18	Taiwan Listed company association	Innovative digital economic value equation and Taiwan industry's strategy and practice	2 Hrs.
	10/15/18	Financial supervision and management	The 12th Taipei Governance Forum	6 Hrs.

Name	Date	Organizer	Course / Lecture Name	Duration
		committee		
Chuang Juwei	11/27/18	Republic of China Securities and Futures Market Development Foundation	Legal issues that should be noted in the public offering companies of directors and supervisors of the board of directors	3 Hrs.
	12/12/18	Republic of China Securities and Futures Market Development Foundation	Discussion on corporate information disclosure and untrue responsibility	3 Hrs.
YU/MING-CHANG	09/26/18	Taiwan Stock Exchange Co., Ltd	107ESG Investment Forum	3 Hrs.
	09/28/18	Taiwan Financial Research Institute.	Corporate Governance and Corporate Sustainability Management Workshop	3 Hrs.
CHANG/YUNG-YANG	11/27 /18	Republic of China Accounting Research and Development Foundation	The latest amendments to the company law and corporate compliance practices	3 Hrs.
	11/28 /18	Republic of China Accounting Research and Development Foundation	Tracing the "flow of funds" in the financial report and related legal liability cases	3 Hrs.
LEE/TSU-DER	03/30 /18	Corporate Governance Association	Board operation and responsibility	3 Hrs.
	10/16 /18	Republic of China Securities and Futures Market Development Foundation	Enterprise Environmental Protection and Sustainable Development	3 Hrs.
YEN/TZONG-MING	07/19 /18	Foundation for Securities and Futures Market Development	From the latest company law revision trend to see the impact of corporate governance internal control and directors' responsibility	3 Hrs.

Name	Date	Organizer	Course / Lecture Name	Duration
	07/19 /18	Foundation for Securities and Futures Market Development	Analysis and decision-making of corporate financial information	3 Hrs.
YAN/WEI -CHYUN	09/10 /18	Taipei Stock Exchange	Director's position and authority	3 Hrs.
	09/28 /18	Taiwan Financial Research Institute	Corporate Governance and Enterprise Sustainable Management Seminar	3 Hrs.
Fu Xinbin	10/04 /18	Foundation for Securities and Futures Market Development	The latest company law amendment focus and practice	3 Hrs.
	10/18 /18	Foundation for Securities and Futures Market Development	Enterprise Financial Crisis Early Warning and Type Analysis	3 Hrs.
Huang Xunan	05/08/18	Taiwan Stock Exchange	Listed company's new corporate governance blueprint summit	3 Hrs.
	06/21/18	Securities Business Association	Analysis of the new law of money laundering prevention and case description	3 Hrs.
Du Mangham	12/11/18	Securities and Futures Market Development Foundation	Discussion on fraud cases of corporate financial statements	3 Hrs.
	12/11/18	Securities and Futures Market Development Foundation	Execution Duty and Business Judgment Principle of directors and supervisors of the board of directors	3 Hrs.
	12/12/18	Securities and Futures Market Development Foundation	Discussion on corporate information disclosure and untrue responsibility	3 Hrs.

Name	Date	Organizer	Course / Lecture Name	Duration
	12/12/18	Securities and Futures Market Development Foundation	The impact of the latest tax law reform on business operations and response	3 Hrs.

Securities and Futures Market Development Foundation

(2) Manager training situation:

Name	Date	Organizer	Course / Lecture Name	Duration
WANG/GUANG-SHIAH	03/16/18	Taiwan Circuit Board Association	Benchmark Forum - Facing the next era of Taiwan's PCB industry	2 Hrs.
	07/18/18	Securities counter trading center	OTC, Emerging stock companies insider counter meeting, insiders' equity seminar	3 Hrs.
	11/29/18	KPMG Leadership College	Driven by corporate governance to drive digital transformation and master digital risk	3 Hrs.
TSAI/CHIA-FEN	12/06/18 ~ 12/07/18	Republic of China Accounting Research and Development Foundation	Issuer Securities dealer Stock Exchange Accounting Supervisor Continuing Education Seminar	12 Hrs.

(1) If the company has set up a compensation committee, it shall disclose its composition, responsibilities and operation condition.

1. Information on members of the Compensation and Remuneration Committee (Evoun)

Identity	Qualification Name	Have more than five years of work experience and the following professional qualifications			In compliance with independence situation (Note 1)								The number of members of the Salary Remuneration Committee of other public offering companies	Remarks
		Lecturer or above of the public and private colleges and universities of the relevant departments on Business, legal, finance, accounting or corporate business	Judges, prosecutors, lawyers, accountants or other for business with the company, and specialized professional and technical personnel with national certificates	Work experience required for business, legal, finance, accounting or corporate business	1	2	3	4	5	6	7	8		
Independent director	LEE/TSU-DER			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent director	YEN/TZONG-MING	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	He Lixing	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please fill in identity as a director, independent director of the board of directors or others.

Note 2: Each member meets the following conditions during the two years prior to the election and during the term of office. Please type"✓"in the space below each condition code.

i. Not an employee of this company or its subsidiary companies.

ii. Directors and supervisors of the board of directors of this company or its subsidiary companies. However, if the company or its parent company or the company directly and indirectly holds more than 50% of the independent directors of the company with voting rights, this is not the case.

iii. Not in-person and spouse, minor children or in the name of others holding more than one percent of this company's total issued shares or holding the top ten shares nature person shareholder

iv. Those who are not listed in the first three paragraphs, such as spouses, second-parents, etc., are directly related to their relatives.

v. The directors, supervisors of the board of directors or employees of the legal person shareholders who hold more than 5% of the total issued shares of this company, or the directors, supervisors of the board of directors or employees of the top five legal person shareholders

vi. Directors, supervisors of the board of directors, managers or shareholders holding more than 5% of the specific companies or institutions that have financial or business dealings with this company.

vii. Professionals business owners, partners, directors, supervisors of, sole proprietorships, partnerships, companies or institutions managers and his/her spouse that do not provide business, legal, financial, accounting and other services or consulting services for this company or its related companies,.

viii. There is none of the paragraphs of section 30 of the Companies Act.

1. Information on the operation of Compensation and Remuneration Committee (Evoun)

1. This company's Compensation and Remuneration committee has 3 members
2. The term of the current members: from June 7th, 2016 to May 25th, 2020, the most recent year (year 2018) and year 2019 till March 31st, the Compensation and Remuneration committee held 5 meetings (A), membership qualifications and attendance is as follows:

Title	Name	Actual attendance No. (B)	Entrusted attendance No.	Actual attendance rate (%) (B/A)	Remarks
Convener	YEN/TZONG-MING	5	0	100.00%	
Member	LEE/TSU-DER	5	0	100.00%	
Member	He Lixing	5	0	100.00%	
Other items to be recorded: 1. If the Board of Directors does not adopt or amend the recommendations of the Compensation and Remuneration Committee, it shall state the date and time of the Board of Directors, the contents of the proposal, the results of the resolutions of the Board of Directors and the company's handling of the opinions of the Compensation and Remuneration Committee (e.g. the salary remuneration approved by the Board of Directors is better than the Remuneration Committee) The recommendations should state the difference and the reasons for this: No such situation. 2. The resolutions of the Compensation and Remuneration Committee, if members have objections or reservations and have a record or written statement, the date, period, contents of the proposal, the opinions of all members and process to the opinions shall be stated: no such situation.					

(5) Fulfilling social responsibility:

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
1. Implementing corporate governance (1) Does this company formulate corporate social responsibility policies or systems and review the	V		(1) This company has established a "Code of Practice for Corporate Social Responsibility" for the implementation of corporate social responsibility. The principles are "Implementing corporate governance", "Developing a sustainable environment", "Maintaining social welfare" and "Strengthening corporate social responsibility". Revealed." The company's corporate social responsibility policy is as follows: "Compliance with regulatory requirements, promotion of employment freedom, prohibition of child labor, humane treatment, prohibition of improper discrimination, establishment of communication mechanisms, establishment of full salary and benefits, training of staff functions, emphasis on integrity management, respect for intellectual property rights, caring for the weak and promoting social responsibility."	No major differences

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
effectiveness of implementation?			Each year, it is reviewed and revised according to the actual operation situation, and the relevant implementation status is reported to the board of directors. The Board of Directors reported the implementation status on December 24, 2018. Years 2018 implementation results: 1. Strengthen corporate governance. Each year, we will review the results of recent corporate governance evaluations and the corporate governance evaluation indicators released in the most recent year, and check whether the scores are met, and arrange for improvement of time-courses to improve non-compliance items. 2. In order to support national sports and help solve the employment problems of students in physical education class, Machvision employs physical insurance students, with complete education and training, and a	

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
(2) Does this company regularly hold social responsibility education training? (3) Does this company set up a full time (part-time) unit for promoting corporate social responsibility, which is authorized by the board of directors to handle high-level management and report situation to the board of directors?			simple and clear working SOP, so that physical insurance students can become a unique customer service engineer within half a year, and cultivate a physical fitness student. 3. Internship programs with schools such as Taipei University of Science and Technology provide student internship opportunities so that college students can understand the actual situation of business operations and increase their competitiveness in the future before entering workplace. (2) Set up "Integrity Practice Code" and "Ethical Conduct Code" and have been drawn up as codes of conduct, and annual educational training to promote social responsibility. (3) This company is responsible for the effective implementation of social responsibility in order to promote the social responsibility of corporate social	

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
(4) Does this company formulate a reasonable salary remuneration policy, and combine employee performance appraisal system with corporate social responsibility policy, and establish a clear and effective reward and disciplinary system?			responsibility, its job title includes: setting and reviewing corporate social responsibility policies, systems and related management policies; and convening relevant departments every quarter to discuss and promote the company's social responsibility plan (such as the sixth point), the administrative center supervises the implementation of operation status and reports to the board of directors on a regular basis. The Board of Directors reported the implementation status on December 24, 2018. (4) This company's salary policy is in line with the industry standard and is clearly defined the ethics and responsibilities of all colleagues in the execution of their business, and the establishment of the reward and punishment committee for evaluation. The performance of peers is assessed annually based on KPI status.	
2. Development of a sustainable environment (1) Is this company committed to improving the	V		 (1) This company implements waste sorting and	No major differences

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
utilization efficiency of various resources and using recycled materials with low impact on environmental load? (2) Does this company establish a suitable environmental management system based on its industrial characteristics? (3) Does this company pay attention to the impact of climate change on operational activities, and implement greenhouse gas inventory, formulate corporate energy conservation and carbon reduction, greenhouse gas reduction strategies?			sets up resource recycling office; we also promote the distribution of electronic official documents to reduce the amount of paper used, and encourages the use of environmentally friendly chopsticks and environmental protection cups to reduce the impact on environment. (2) This company is an equipment manufacturer, and there is no pollution waste liquid and wastewater generated during the manufacturing process. In addition, the company's management of the environment is based on the relevant domestic environmental safety laws and regulations. (3) This Company conducted an inventory check on greenhouse gas emissions from year 2013, and established management data for greenhouse gas emissions in accordance with the inventory standards set by the Industrial Bureau of the Ministry of Economic Affairs (refer to ISO	

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
			14064). The company actively promoted energy-saving and carbon-reduction measures. For example, air-conditioning systems are regularly opened at work, closed from work, lighting equipment and computers are closed during lunch breaks and off-duty hours, and energy-saving lamps are used. The importance of promoting energy conservation and environmental protection is irregularly implemented to colleagues. The impact of climate change is one of the common environmental issues in the world. Therefore, the greenhouse effect of reducing carbon is the responsibility shared by all countries in the world to achieve carbon neutrality as a long-term carbon management target. This company inspected and established a baseline for greenhouse gas emissions, and set carbon reduction targets for each year. The company adheres to the spirit of excellence,	

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
			with year 2016 as the base year (exhaust volume of 314 metric tons, revenue of 810 million). During three-year plan period, the goal of achieving 5% reduction in carbon per unit of revenue in years 2017~2019 has reached the target of previous two years, with a displacement of 410 metric tons in year 2017 (31% annual increase). Revenue of NTD$1.42 billion (annual increase of 75%); year 2018 exhaust volume was 492 metric tons (an annual increase of 20%), revenue of NTD$3.11 billion (an annual increase of 119%).	
3. Maintain social welfare (1) Does this company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? (2) Does this company establish an employee	V		(1) This company's labor rights and obligations are in compliance with labor laws and are clearly defined in the "Employee Handbook". This company respects all kinds of differences, the salary after employment, there will be no difference in gender, age, ethnicity, religion. (2) This Company set up a peer suggestion box in	No major differences

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
complaint mechanism, channel and properly handle it? (3) Does this company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees? (4) Does this company establish a mechanism for regular employee communication and notify the employees of business changes that may have a significant impact on employees in a reasonable manner? (5) Does this company establish an effective career development training program for employees? (6) Does this company formulate relevant consumer protection policies and appeal procedures for			Tongren Restaurant to provide opinions and appeal channels, and the general manager shall instruct it to respond based on the complaints and suggestions of colleagues. (3) This company has completely banned smoking and has conducted CPR training and health seminars. Handle labor safety and health education and training according to laws, establish work safety awareness, and conduct work environment testing and employee health check. (4) This company regularly holds labor-management meetings to provide two-way communication channels between employers and employees, and provides meeting records for employees. This company organizes meal schedule from time to time, and general manager informs employees of	

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
research and development, procurement, production, operations and customer service processes? (7) Does this company comply with relevant regulations and international standards for the marketing and labeling of products and services? (8) Before this company and supplier, do they assess whether supplier has any record of affecting environment and society in the past? (9) If the contract between this company and its major suppliers includes suppliers who violate their corporate social responsibility policies and have significant environmental and social impacts, they may terminate or terminate the terms of the contract at any time.			company's operation status during meals. (5) This company prepares an education and training budget every year, and provides education and training expenses subsidies based on the needs and interests of colleagues (6) This company has established a Service Quality Center to deal with customer complaints. (7) This company's provision of products and services are in compliance with relevant regulations and international standards, and emphasize importance to the protection of relevant intellectual property rights. (8) This company conducts supplier evaluation on suppliers every six months. In addition to transaction status and product quality, the evaluation project considers supplier's assessment (such as environmental protection, safety and health issues), and increases or decreases evaluation scores.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Operation Situation (Note 1)</th><th rowspan="2">Differences and reasons of corporate social responsibility codes with other listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>(9) This company has not signed a contract with the major suppliers; however, if it finds that it violates corporate social responsibility policy during actual appraisal and has significant impact on environment and society, this company suspends or terminates its business dealings. This company also actively assists suppliers to improve and enhance product quality, and promotes related concepts such as green procurement and environmental protection.</td><td></td></tr>
<tr><td>4. Strengthen information disclosure
(1) Does this company disclose relevant information on corporate social responsibility with relevance and reliability on its website and public information observatories?</td><td>V</td><td></td><td>
(1) This company discloses relevant information on corporate social responsibility with relevance and reliability on company's website, public information observatories and annual reports.</td><td>No major differences</td></tr>
<tr><td colspan="5">5. If this company has its own corporate social responsibility code based on the “Code of Practice for Corporate Social Responsibility of Listed Companies”, please describe the difference between its operation and the code:
This company has established a “Code of Practice for Corporate Social Responsibility”. There is no significant difference between its operation and the “Code of Practice for Corporate Social Responsibility of Listed Companies”. Please refer to company's website for relevant content.</td></tr>
</table>

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Operation Situation (Note 1)</td><td rowspan="2">Differences and reasons of corporate social responsibility codes with other listed companies</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary description (Note 2)</td></tr>
<tr><td colspan="5">6. Other important information that helps to understand the operation of corporate social responsibility:
(1) Environmental protection: this company has implemented the policy of energy conservation and carbon reduction, and promoted the activities of protecting the earth such as electricity reduction and resource recovery within this company.
(2) Community harmony, social contribution, social services and social welfare: this company responds to social disadvantages and related activities of charitable groups from time to time, and provides employment opportunities for socially disadvantaged ethnic groups, giving substantive attention.
Participation in social activities is as follows:
1. Assisting the Foundation's Eden Social Welfare Foundation to promote social service work.
2. Donate to Hsinchu Renai Children's Home.
3. Sponsored the enthusiasm of https://www.cnyes.com/ to send charity activities.
4. Promote the care of the weak and implement small apple change donation.
5. The New Hope Foundation cares for vulnerable street fundraising.
6. Plan and organize the Christmas Love Event of Mackay Memorial Hospital.
7. Mazu District poor Children Excellent Student Scholarship.
8. Machvision dream camp.
(3) Consumer rights: in order to achieve the goal of “customer satisfaction”, this company has a service quality center in addition to product quality, and specializes in after-sales service and customer complaints to ensure customer rights.
(4) Human rights: this company's colleagues enjoy the same right to work regardless of race, gender and age, and provide opportunities for free expression and development of colleagues.
(5) Balancing workplace and life: this company implements the system of parental leave and wages in accordance with laws, and provides measures</td></tr>
</table>

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
such as paternity leave and physique leave to encourage employees to take vacations, provide travel subsidies and regular health checks. (6) In order to support national sports and assist in solving the employment problems of students in physical education class, Machvision employs recommended athletics students, and completes the education and training with a simple and clear working SOP, so that recommended athletics students can become a dedicated customer service engineer within half a year to cultivate recommended athletics students' skills. (7) Internship programs with schools such as Taipei University of Science and Technology provide students with internship opportunities so that college students can understand the actual situation of business operations and increase their competitiveness in the future before entering the workplace. (8) Employees' working environment and personal safety protection measures: 1. Access control (1) There is a strict monitoring system around the clock. (2) There are access control card devices at all entrances and exits of this company. (3) Contracting with security company at night and holiday to maintain the safety of plant. 2. Maintenance and inspection of various equipment (1) All electromechanical or fire-fighting equipment (such as fire alarms or fire extinguishers) shall be regularly maintained or repaired at specified time, each year, season and month to ensure that they are in the best available condition at all times. (2) According to fire protection regulations, qualified fire inspection company shall be entrusted to conduct fire inspection on factory. (3) This company checks and maintains various equipment such as power systems, air conditioners, fire-fighting facilities and dangerous mechanical equipment on a periodic basis. (4) According to the Labor Safety and Health Law, every half year, qualified testing manufacturers are entrusted to this company to measure working environment, including noise, lighting, CO_2 concentration, chemical concentration, etc.				

Evaluation Item	Operation Situation (Note 1)			Differences and reasons of corporate social responsibility codes with other listed companies
	Yes	No	Summary description (Note 2)	
3. Disaster prevention measures and strains (1) This company has set up disaster prevention measures and contingency measures, and clearly defines the roles and tasks of emergency personnel, major events, general accidents and other emergencies for disaster prevention, incident handling and accident notification processes for drills. (2) Establish self-defense firefighting groups: firefighting classes, notification classes, evacuation guidance classes, safety protection classes and ambulance classes. (3) In order to maintain the safety and health of employees and implement safety and health management, the "Labor safety Center" will be promoted as a first-class unit to promote environmental safety and health.				
A. If this company's corporate social responsibility report has passed the verification criteria of the relevant verification agency, it should be stated: not applicable.				

(6) This company fulfills integrity management situation and adopts measures: of the

Evaluation items	Operation situation (Note 1)			Differences and reasons for the integrity management code of listed company
	Yes	No	Summary description	
1. Establishing integrity management policies and programs (1) Does this company express its commitment to integrity management policies and practices in its regulations and external documents, as well as the commitment of the board of directors and management to actively implement business policies? (2) Does this company formulate a plan to prevent dishonesty, and specify operating procedures, behavior guidelines, disciplinary and grievance systems for violations in each program, and implement them? (3) Does this company adopt preventive measures for the business activities of the seventh paragraph of Article 7 of the "Code of Integrity of Listed Companies" or other business activities with high risk of dishonesty?	V		(1) This company has established the "Integrity Code of Practice" and the "Integrity Operating Procedures and Conduct Guidelines" to regulate the execution of all companies' businesses and must be honest and fair and comply with government regulations. The board of directors and management also promised to actively implement the business philosophy of integrity. (2) This company has established the "Code of Integrity Code" and "Integrity Operation Procedures and Conduct Guidelines ", which sets out company's integrity management policy and announces it on the company's website. (3) According to the regulations of the "Integrity Operation Procedures and Behavior Guidelines" of this Company, before establishing a business relationship with	No major difference

Evaluation items	Operation situation (Note 1)			Differences and reasons for the integrity management code of listed company
	Yes	No	Summary description	
			others, the legality, integrity management policy, and whether or not the agents, suppliers, customers or other business contacts should be evaluated first. There have been records of dishonesty to ensure that their business practices are fair, transparent and do not require, provide or accept bribes.	
2. The implementation of integrity management (1) Does this company assess the integrity record of the object of transaction and specify the terms of good faith in the contract with transaction partners? (2) Whether the company has set up a unit (full/part-time) under the directors to promote the integrity management of enterprises, and regularly report its implementation to the board of directors?	V		(1) According to the "Integrity Operation Procedures and Behavior Guidelines" of this company, if any business contacts or partners are found to have dishonest behavior, it should immediately stop doing business with them and list them as objects of refusal to implement this company's integrity management policy. (2) This company has designated the administrative center as a special unit to promote the integrity management of the enterprise, and served as a consultation window for integrity doubts, and held an inter-departmental meeting for the	No major difference

Evaluation items	Operation situation (Note 1)			Differences and reasons for the integrity management code of listed company
	Yes	No	Summary description	
(3) Does this company formulate a policy to prevent conflicts of interest, provide a proper presentation channel, and implement it? (4) Has this company established an effective accounting			violation of integrity incidents. If it is a major breach of integrity, it will be in accordance with relevant laws and procedures, and report to the supervisors or the board of directors. Report the board of directors annually on the relevant implementation status. Mainly responsible for the following matters 1. Assist in integrating integrity and ethical values into company's business strategy, and cooperate with legal system to establish relevant preventive measures to ensure integrity management. 2. Set up a program to prevent dishonesty, and set up standard operating procedures and behavior guidelines for work in each program. 3. Plan internal organization, manning quotas and responsibility, and arrange mutual monitoring and balancing mechanism for business activities with high risk of dishonest behavior within the scope of	

Evaluation items	Operation situation (Note 1)			Differences and reasons for the integrity management code of listed company
	Yes	No	Summary description	
system and internal control system for the implementation of credit management, and the internal auditing unit regularly checks it, or entrusts an accountant to perform the check? (5) Does this company regularly hold education training internally and externally of integrity management?			business. 4. Promotion and coordination of integrity policy advocacy training. 5. Plan the reporting system to ensure the effectiveness of implementation. 6. Assist the board of directors and management to check and evaluate whether the preventive measures established by the integrity management are functioning effectively, and regularly evaluate the relevant business processes to follow the situation and make a report. (3) For the relevant matters of conflict of interest, the company's internal staff may report directly to the department head. (4) This company has established an effective accounting system and internal control system; an internal audit plan has been set up, and internal audit unit performs various check operations in accordance with the audit plan. When special circumstances arise, special	

Evaluation items	Operation situation (Note 1)			Differences and reasons for the integrity management code of listed company
	Yes	No	Summary description	
			cases will be arranged for check. (5) Through the executive meeting and quarterly dinner, this company will promote colleagues and make colleagues understand integrity management philosophy and norms.	
3. The operation of company's reporting system (1) Does this company have a specific reporting and reward system, and establish a convenient reporting channel, and assign appropriate personnel to the respondents? (2) Does this company stipulate the operational procedures for investigation and the relevant confidentiality mechanism for accepting the report?	V		(1) This company has established a "Report on the Illegal and Unethical or Dishonest Handling methods" for reporting; the report can be implemented through "Personal Reporting", "Telephone Reporting" and "Mailing Reporting"; the reporting of shareholders, investors and other interested parties are accepted, and audit supervisor accepts reports from internal colleagues, customers and suppliers. (2) Procedures for handling reporting 1. Anonymous report: the principle of anonymous reporting is not handled, but the contents of reporting is considered to be necessary for investigation, and it can be	No major difference

Evaluation items	Operation situation (Note 1)			Differences and reasons for the integrity management code of listed company
	Yes	No	Summary description	
(3) Does this company take measures to protect the reporting person from improper handling due to the report?			used as a reference for internal review. 2. Named report: the accepting unit shall clarify the intention of the report and specific evident. If it is considered that there is a violation of the law or unethical or dishonest behavior, it shall be attached to general manager for handling the case. 3. This company shall handle the reported cases in a confidential manner and verify it by an independent channel to fully protect the reporting person. The identity of the reporting person will be kept strictly confidential. 4. If the reporting person is an employee, the company guarantees that the employee will not be improperly disposed of due to the report. 5. In order to safeguard the rights of the relatives of the reporting case and avoid retaliation against them, the company shall give the counterparty an opportunity to	

Evaluation items	Operation situation (Note 1)			Differences and reasons for the integrity management code of listed company
	Yes	No	Summary description	
			appeal and, if necessary, convene a hearing by the Personnel Review Committee. (3) The company is responsible for the confidentiality of reporting person.	
4. Strengthen information disclosure (1) Whether this company exposes the contents of its integrity management code and promotes its effectiveness on its website and public information observatories?	V		(1) This company has disclosed the "Integrity Code of Practice" and the "Integrity Operation Procedures and Conduct Guidelines" on company's website and the public information observatory.	No major difference
5. If this company has its own code of conduct in accordance with the “Code of Conduct for the Listed Companies”, please describe the difference between its operation and code: there is no significant difference between the operation of the “Integrity Code of Practice” and the “Integrity Operational Procedures and Conduct Guidelines” and the “Code of Integrity of Listed Companies”.				
6. Other important information that helps to understand the company's integrity operation: (such as company reviews and amends its established code of conduct, etc.) The company is committed to the business conduct of integrity management with customers and suppliers, and also to demonstrate the company's integrity management to customers and suppliers.				

(7) If this company has a corporate governance code and related regulations, it should disclose its enquiry methods: the company's “Code of Corporate Governance”, the “Rules of Procedure for Shareholders' Meeting”, the “Rules of Procedure for the Board of Directors”, and the “Handling of internal significant information”, "Internal major information processing and prevention of internal transaction management procedures", “Ethical code of conduct”, “Integrity management code”, and “Corporate social responsibility code of practice”, please visit our website (http://www.machvision.com.tw) for reference.

(8) Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be disclosed: the relevant information reveals the detailed public information observatory http://mops.twse.com.tw/.

(9) Implementation status of internal control system

1. Suggestions for internal control improvement proposed by CPA’s in the last three years:

Year	CPA’s suggestion	Improvement situation
2016	No major mistake	Not applicable
2017	No major mistake	Not applicable
2018	No major mistake	Not applicable

2. Internal audit found significant lack of improvement: no major mistake.
3. Internal Control Statement: Please refer next page.
4. The internal controller who entrusts CPA’s to review internal control shall state reasons, CPA’s review opinions, the company's improvement measures and mistake items: the situation is not applicable.

牧德科技股份有限公司
內部控制制度聲明書

日期：108 年 2 月 13 日

本公司民國 107 年度之內部控制制度，依據自行評估的結果，謹聲明如下：

一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。

二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。

三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。

四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。

五、本公司基於前項評估結果，認為本公司於民國107年12月31日(會計年度終了日)的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。

六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。

七、本聲明書業經本公司民國108年2月13日董事會通過，出席董事八人均同意本聲明書之內容，併此聲明。

牧德科技股份有限公司

董事長 汪光夏 簽章

總經理 陳復生 簽章

MACHVISION Inc. Co., LTD

Internal control system statement

The company's internal control system in year 2018 is based on the results of self-assessment and is stated as follows:

1. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. The purpose is to provide reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations, provide reasonable assurance.
2. The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change. However, the company's internal control system has a self-monitoring mechanism, once the identification is missing, the company will take corrective actions.
3. The company judges whether the design and implementation of the internal control system is effective based on the judgment of the effectiveness of the internal control system as stipulated in the “Guidelines for the Establishment of Internal Control System by Public Issuance Companies” (hereinafter referred to as “Processing Guidelines”). The internal control system judgement project adopted by the " Processing Guidelines", in accordance with the process of management control, the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision operations, each component also includes several items. For the above items, please refer to the “Processing Guidelines”.
4. The company has adopted above internal control system to judge the project. Assess the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the previous assessment, the Company believes that the Company's internal control system (including the supervision and management of subsidiaries) on December 31, 2018 (the end of the fiscal year), including understanding the effectiveness and efficiency objectives of the operation, degree, the reporting is reliable, timely, transparent and conforms to the relevant specifications and relevant laws and regulations, the design and implementation of the relevant internal control system are effective and can reasonably ensure the achievement of above objectives.
6. This statement will become the main content of the company's annual report and public statement, and will be made public. If the contents of above disclosure is false, concealed or other unlawful circumstances, it will involve the law of the Securities Exchange Act of

Article 20, Article 32, Article 171 and Article 174. .

7. This statement was approved by the board of directors of the company on February 13, 2019, all eight attendees agreed to the contents of this statement and stated this statement.

MACHVISION Inc. Co., LTD
Chairman

General manager

(8) In the most recent year and up to annual report, this company and its internal personnel were punished according to law, and the company violated the internal control system for penalties, major lacks and improvements: not applicable.

(9) Important resolutions and implementation of the shareholders' meeting and the board of directors in the most recent year and up to the date of publication of the annual report:

1. Resolutions and implementation of shareholders' meeting:

Voted by the original vote. Completion of the implementation of the resolution, set 107.7.3 as the benchmark date. Earnings issued cash dividends: NT$426,082,340, and allotment of NTD$10.0 per share.

Date	Important Resolution Summary	Resolution Results	Implementation Situation
05/29/18	1. Acknowledge year 2017 annual business report and financial statements.	Voted pass by original resolution.	Followed the results of resolution and expose it on company's website.
	2. Acknowledge year 2017 annual distribution of surplus.	Voted pass by original resolution.	Completion of the implementation of resolution, set 7.3,2018 as the benchmark date. Earnings issued cash dividends: NTD$426,082,340, and allotment of NTD$10.0 per share.
	3. Amend parts of this company's "Articles of Association” case.	Voted pass by original resolution.	Followed the results of resolution and expose it on company's website.
12/14/18	1. Amend this company's "Articles of Association" case.	Voted pass by original resolution.	Followed the results of resolution and expose it on company's website.
	2. Amend this Company's "Acquisition or Disposal of Assets Handling Procedures".	Voted pass by original resolution.	Followed the results of resolution and expose it on company's website.

	3. Amend the Company's "Directors and Supervisors of board of directors Election Method" case.	Voted pass by original resolution.	Followed the results of resolution and expose it on company's website.
	4. Amend this company's "Finance Loan and Other person's Operating Procedures" case.	Voted pass by original resolution.	Followed the results of resolution and expose it on company's website.
	5. Amend this company's "Endorsement guarantee Operating Procedures" case.	Voted pass by original resolution.	Followed the results of resolution and expose it on company's website.

2. Important resolutions and implementation of the board of directors:

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
Seventh session, Twelfth meeting 01/24/18	1. Pass year 2017 annual directors and supervisors of the board of directors' compensation (including independent directors) and the amount of compensation for employees.	V	
	2. Passed year 2017 the amount of year-end bonus issued to company's managers.	V	
	3. Passed company's chairman and senior managers' pension plan.	V	
	4. Passed company's year 2017 annual "Internal Control System Statement".	V	
	5. Passed the company's year 2017 Annual Financial statements.	V	
	6. Passed the company's year 2017 annual business report.	V	
	7. Passed company's year 2017 annual surplus distribution.	V	
	8. Passed amendments to some of the articles of the company's articles of association.	V	
	9. Passed company's flexible use of company's funds, and	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
	establish a good relationship with the bank, it is proposed to renew the short-term financing quota contracts with banks.		
	10. Passed company's 2018 shareholders meeting held matters.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Seventh session, Thirteenth meeting 04/24/08	1. Report the company's financial report for the first quarter of year 20118.	V	
	2. Report the preliminary assessment results of company's introduction of International Financial Reporting Standard No. 16 of "Lease".	V	
	3. Pass high ranking management car leasing act.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Seventh session, Fourteenth meeting 05/29/18	1. Passed the benchmark date of year 2017 cash dividend distribution.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Seventh session, Fifteenth meeting 07/24/18	1. Report the financial statements of the second quarter of the company in the first quarter of 2018.2. Through the company's plan to increase the amount of investment in the mainland.	V	
	2. Passed the company's plan to	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
	increase the amount of investment in mainland China.		
	3. Passed company's proposed year 2018 capital increase by cash to issue new shares.	V	
	4. Passed amendment of company's "Internal important information handling and preventing internal trading management procedures".	V V	
	5. Passed the revision of company's "Organization Regulations for the Compensation and Remuneration Committee".	V	
	6. Passed year 2017 directors and supervisors of the board of directors (including independent directors) compensation distribution case.	V	
	7. Passed year 2017 employee compensation and remuneration distribution case.	V	
	8. Passed year 2018 routine salary adjustment case of the company's managers.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Seventh session, Sixteenth meeting 08/10/18	1. Passed the purchase of a new factory to respond to the demand for revenue growth.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Seventh session, Seventeenth	1.Report the report of the financial statements of the third quarter of year 2018.	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
meeting 10/29/18	2. Passed company's flexible use of company's funds, and establish a good relationship with the bank, it is proposed to renew the short-term financing quota contracts with banks.	V	
	3.Passed internal audit supervisor's personnel change case.	V	
	4. Passed the company's July 24, 2018 board of directors' resolution of capital increase by cash and issue new shares, it is proposed to cancel and not implement case.	V	
	5. Passed company's proposed transfer of shares to the listing case	V	
	6. Passed amending some of the provisions of company's "Articles of Association".	V	
	7. Passed amending the section of company's "Acquisition or Disposal of Assets Processing Procedures".	V	
	8. Passed amending the name of company's "Directors and Supervisors the Board of Directors Election Method" and some of the articles.	V	
	9. Passed amending some of the provisions of company's "Finance Loan and Other Person's Operating Procedures"	V	
	10. Passed amending some of the articles in the "Endorsement Guarantee Procedure" of this company.	V	
	11. Passed amending the provisions of the "Regulations of the Board of Directors Meeting Act" of company.	V	
	12. Passed amending some of the provisions of this company's	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
	"Code of Ethics".		
	13. Passed amending some of the provisions of company's "Code of Practice for Corporate Social Responsibility".	V	
	14. Passed amending some of the provisions of company's "Code of Integrity Act".	V	
	15. Passed amending certain provisions of company's "Code of Corporate Governance".	V	
	16. Passed adding the new "Organizational Procedures for Audit Committee" of company.	V	
	17. The case of full re-election or co-option of two-member directors in advance. Passed to re-elect in advance of directors and independent directors of the board of directors and increase two directors.	V	
	18. Passed lifting the new directors' of the board of directors' non-competition restrictions.	V	
	19. Passed the case concerning the nomination of candidates for directors and independent directors of the board of directors by the first shareholder's temporary meeting in year 2018.	V	
	20. Passed the first shareholder temporary meeting in year 2018.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Seventh session, Eighteenth	1. Proposing the purchase of a new factory to respond to the demand for operational growth.	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
meeting 11/15/18	2. The period for accepting the nomination of independent directors of the board of directors through company's year 2018 shareholders' temporary meeting starts from October 30 to November 8, 2018.	V	
	3. By amending some of the provisions of the “Articles of Association” of the Company.	V	
	4. Passed amending some of the section of the company's "Acquisition or disposal of Assets Processing Procedures".	V	
	5. Passed amending the company's "Internal Control System" case.	V	
	Independent director's comments: None.		
	This company's handling of independent directors’ opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Eighth session, First meeting 12/14/18	1. Passed the re-election of the chairman of this company.	V	
	Independent director's comments: None.		
	This company's handling of independent directors’ opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Eighth session, Second meeting 12/24/18	1. Report company's year 2018 CPA’s evaluation report.	V	
	2. Report the implementation report of the corporate social responsibility policy or system.	V	
	3. Report operation of corporate governance condition.	V	
	4. Report the results of the board of directors’ performance evaluation.	V	
	5. Passed appointing the company's salary compensation committee case	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
	6. Passed company's year 2019 annual operation plan B.	V	
	7. Passed the "Internal Control Statement" of CPA's special audit from October 1, 2017 to September 30, 2018.	V	
	8. Passed company's year 2019 CPA's independence and competency regular assessment case	V	
	9. Passed this company's year 2019 accreditation case.	V	
	10. Passed the company's year 2019 annual audit plan.	V	
	11. Passed to renew the "Directors and Supervisors of the board of Directors and Managers' Liability Insurance" case through Tokyo Marine Newa Insurance Co., Ltd.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Eighth session, Third Meeting 01/30/19	1. Passed year 2018 manager's year-end bonus issued amount.	V	
	Independent director's comments: None.		
	This company's handling of independent directors' opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Eighth session, Fourth Meeting 02/13/19	1. Passed year 2018 annual directors and supervisors' compensation (including independent directors) of the board of directors and the amount of compensation for employees.	V	
	2. Passed the company's year 2018 annual financial report.	V	
	3. Passed company's year 2018	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
	annual business report.		
	4. Passed company’s year 2018 annual surplus distribution.	V	
	5. Passed the establishment of Korean subsidiary case.	V	
	6. Passed company's year 2018 “Annual Internal Control System Statement”.	V	
	7. Passed amending certain provisions of the Company's “Articles of Association”.	V	
	8. Passed amending some of the section of the company's "Acquisition or Disposal of Assets Processing Procedures".9.	V	
	9. Passed to select a succeeding a board of directors of this company.	V	
	10. Passed lifting the new director's non-competition restrictions.	V	
	11. Passed to hold company's year 2019 shareholders' meeting.	V	
	Independent director's comments: None.		
	This company's handling of independent directors’ opinions: not applicable.		
	The result of resolutions: All the attending directors agreed to pass.		
Eighth session, Fifth Meeting 04/17/19	1. Passed the review of the qualifications of directors of the board.	V	
	2. Passed amending some of the provisions of the company's "Finance Loan and Other Person's Operating Procedures".	V	
	3. Passed amending some sections of company's "Endorsement Guarantee Operating Procedures" regulation.	V	
	4. Passed setting company's "Standard Operating Procedures	V	

Board of Directors	The contents of the proposal and its follow-up	Items listed in § 14-3 of the Securities and Exchange Act	Independent directors hold objections or reservations
	for Handling Directors' Requirements".		
	5. Passed amending Company's “Code of Practice for Corporate Governance on the Listed Companies”	V	
	6. Passed to hold company's year 2019 shareholders' meeting.	V	

This company has handled the resolutions of each meeting of the board of directors, and there is no inconsistency, and reports to the board of directors on the implementation of the previous resolutions.

(10) In the most recent year and the date of publication of the annual report, if directors or supervisors of the board of directors have different opinions on the board of directors that passed important resolutions and have records or written statements, the main contents are: none

(11) Summary of the resignation of the company's chairman, general manager, accounting supervisors, financial supervisors, internal audit supervisors and R&D supervisors in the most recent year and the year-end publication of the annual report:

April 30, 2019

Title	Name	Onboard Date	Discharge Date	Reason for Resignation or Discharge
Internal Audit Supervisor	Wang Yiting	01/01/2014	08/15/2018	Job adjustment

Note: The so-called company related persons refer to the chairman, general manager, accounting supervisors, financial supervisors, internal audit supervisors and research and development supervisors.

D. CPA’s fees information

CPA’s fees level table

Accounting firm	CPA name		Audit period	Remarks
KPMG in Taiwan	Huang Boshu	Yu Antien	1.1,2018~12.31,2018	

Amount Level \ Fee item		Audit fee	None audit fee	Total
1	Less than NTD$2,000 thousands		✓	✓
2	NTD$2,000 thousands (inclusive) to NTD$4,000 thousand	✓		✓
3	NTD$4,000 thousands (inclusive) to NTD$6,000 thousands			
4	NTD$6,000 thousands (inclusive) to NTD$8,000 thousands			
5	NTD$8,000 thousands (inclusive) to NTD$10,000 thousands			
6	NTD$10,000 thousands or more			

Amount unit: NTD$1,000

Accounting firm	CPA name	Audit fee	None audit fee					CPA audit period
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal	
KPMG Taiwan	Huang Boshu	2,160	-	-	-	860	-	Year 2018
	Yu Antien							Year 2018
Remarks	English report 100 (thousand), Internal control project audit fee 700 (thousand), Capital increase by cash case 60 (thousand).							

Note 1: If this company changes its CPA’s or accounting firm this year, it should list the audit period separately, explain the reason for the change in the remark column, and disclose the audited and non-audited fees and other information.

Note 2: Non-audit fees are listed separately according to the service items. If the “others” of the non-audit fees reach 25% of the total non-audit public funds, the service contents should be listed in remarks column.

(1) If the non-audit public expenses of CPA’s, affiliated accounting firm and its related enterprises account for more than one quarter of audit fee, the audited and non-audited expense amount and non-audit service contents shall be disclosed: English report NTD$100 (thousand), internal control project review fee NTD$700 (thousand), capital increase by cash case NTD$60 (thousand).

(2) If the auditing fee paid for the replace accounting firm is less than the auditing fee of previous year, the reduced amount, proportion and reason for the auditing fee shall be disclosed: not applicable.

(3) If the audit fee is reduced by more than 15% compared with previous year, the amount reduced, proportion and reasons for audit fee reduction shall be disclosed: None.

E. Replacement of CPA information: none

F. The chairman, general manager, managers of financial or accounting affairs of this company, who has worked in the accounting firm of CPA's or its related enterprise in the past year, should disclose his or her name, title and employment period with the accounting firm: none.

G. In the most recent year and the end of the annual report, the directors, supervisors, managers and shareholders holding more than 10% of the shareholding transfer and equity pledge change condition:

(1) Changes in the shareholding of directors, supervisors of the board of director, managers and major shareholders:

Unit: share

Title	Name	Year 2018		The year ended March 31	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares held
Chairman	WANG/GUANG-SHIAH	-	-	-	-
Director	YU/MING-CHANG	-	-	-	-
Director	CHANG/YUNG-YANG	20,000	-	-	-
Director	CHUANG/YUNG-SHUN	71,000	-	-	-
Director	YAN/WEI-CHYUN	-	-	-	-
Independent Director	LEE/TSU-DER	-	-	-	-
Independent Director	YEN/TZONG-MING	-	-	-	-
Independent Director	Du Minghan	-	-	-	-
General Manager	CHEN/FU-SHEN	-	-	-	-
Deputy General Manager	HUANG/CHIA-HSING	(227,000)	-	-	-
Head of Finance and Accounting Department	TSAI/CHIA-FEN	-	-	-	-

(1) Equity transfer information: the situation in which the relative person without equity transfer is a related person

(2) Equity pledge information: the situation in which the relative person without the equity pledge is a related person.

Note 1: The company re-elected directors on December 14, 2018 in the shareholders' temporary meeting, representative of Fu Li Investment Co., Ltd.: CHUANG/YUNG-SHUN and representative of Garnett (share) company: Chuang Juwei discharged as director; CHUANG/YUNG-SHUN as new appointed director, YAN/WEI-CHYUN as new appointed director, Du Minghan as new independent director, term from Dec. 14, 2018 to Dec. 13, 2021.

Note 2: The Company established an audit committee on the shareholders' temporary meeting on December 14, 2018, YAN/WEI-CHYUN, Fu Xinbin and Huang Xunan discharged supervisors of the board of directors.

H. Shareholders who hold the top ten shareholdings, their mutual relation information is the sixth related person or second degree relative of Financial Accounting Standards Bulletin:

Name	Personal holding shares		Spouse, minor children holding shares		Shares under others' names		The top ten shareholders have mutual relation information of the sixth related person or second degree relative of Financial Accounting Standards Bulletin, their names and relation.		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relation	
Chase Trust T-Ropes International Discovery Fund	1,900,000	4.46%	-	-	-	-	-	-	-
Nan Shan Life Insurance Company, Ltd.	1,838,000	4.31%	-	-	-	-	-	-	-
WANG/GUANG-SHIAH	1,366,353	3.21%	69,654	0.16%	-	-	Eimbeti Investment and Trading Limited	Shareholder	-
Jianit Co., Ltd.	1,351,752	3.17%	-	-	-	-	-	-	-

Name	Personal holding shares		Spouse, minor children holding shares		Shares under others' names		The top ten shareholders have mutual relation information of the sixth related person or second degree relative of Financial Accounting Standards Bulletin, their names and relation.		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relation	
CHANG/YUNG-YANG	1,282,842	3.01%	-	-	-	-	-	-	-
Fu Li Investment Co., Ltd.	1,224,921	2.87%	-	-	-	-	-	-	-
AAEON Technology Inc.	1,135,020	2.66%	-	-	-	-	-	-	-
YU/MING-CHANG	1,032,829	2.42%	-	-	-	-	-	-	-
Standard Chartered Hosted by Credit Suisse Securities - Renaissance Long-Term Sales	952,000	2.23%	-	-	-	-	-	-	-
Li Zhenfu	780000	1.83%	-	-	-	-	-	-	-

I. The number of shares held by company, company's directors, supervisors, managers and company directly or indirectly controlled business invest to the same investment business, and the combined proportion of the shares:

Unit: shares: ％

Re-investment	Company invests	Directors, supervisors, managers and investments directly or indirectly controlling the business	Comprehensive investment

	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Samoa MACHVISION INC.	-	100%	-	-	-	100%
Auto Vision Inc.	225,000	45%	-	-	225,000	45%
Sijin Opto Inc.	4,947,000	49.47%	-	-	4,947,000	49.47%
Machvision Korea Co., Ltd.	10,000	100%	-	-	10,000	100%

4. Fund raising situation

A. Capital and shares:

(1) Source of equity

1. The formation of equity

Unit: NTD$/share

Date	Issue price	Approved capital		Paid-up capital		Remarks		
		No. of share	Amount	No. of share	Amount	Equity source (NTD$)	Deducting shares from property other than cash	Other
06/98	10	3,990,000	39,900,000	3,990,000	39,900,000	Set up capital 39,900,000	-	Note 1
06/03	10	10,000,000	100,000,000	5,770,000	57,700,000	Capital increase by retained earnings 15,960,000 Employee bonus 1,840,000	-	Note 2
05/04	10	10,000,000	100,000,000	7,100,000	71,000,000	Capital increase by retained earnings 11,540,000 Employee bonus 1,760,000	-	Note 3
06/05	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase by retained earnings 25,560,000 Employee bonus 3,440,000	-	Note 4
06/06	10	25,000,000	250,000,000	14,000,000	140,000,000	Capital increase by retained earnings 35,500,000 Employee bonus 4,500,000	-	Note 5
02/07	20	25,000,000	250,000,000	16,100,000	161,000,000	Capital increase 21,000,000	-	Note 6
08/07	10	25,000,000	250,000,000	19,491,939	194,919,390	Capital increase by retained earnings 28,175,000 Employee bonus 5,744,390	-	Note 7
09/08	10	25,000,000	250,000,000	22,549,635	225,496,350	Capital increase by retained earnings 25,339,520 Employee bonus 5,237,440	-	Note 8
01/11	26	50,000,000	500,000,000	25,556,635	255,566,350	Capital increase by cash 30,070,000	-	Note 9
08/01	10	50,000,000	500,000,000	30,667,962	306,679,620	Capital increase by retained earnings 51,113,270	-	Note 10
08/02	10	50,000,000	500,000,000	33,734,758	337,347,580	Capital increase by retained earnings 30,667,960	-	Note 11

07/03	10	50,000,000	500,000,000	37,108,234	371,082,340	Capital increase by retained earnings 33,734,760		Note 12
10/03	56	50,000,000	500,000,000	42,608,234	426,082,340	Capital increase by cash 55,000,000		Note 13

Note 1: The capital increase was approved by the Construction Department of Taiwan Provincial Government on June 9, 1998. The approved no. was: 87 Jiansanfa No. 178035.

Note 2: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 27, 2003. The approved no. was: No. 0920024715.

Note 3: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 12, 2004. The approved no. was: No. 0930021607.

Note 4: The capital increase was approved by the Hsinchu Science and Technology Park Administration on October 3, 2005. The approved no. was: No. 0940026593.

Note 5: The capital increase was approved by the Hsinchu Science and Technology Park Administration on September 19, 2006. The approved no. is: No. 0950024184.

Note 6: The capital increase was approved by the Hsinchu Science and Technology Park Administration on February 27, 2007. The approved no. is: No. 0960005155.

Note 7: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 24, 2007. The approved no. is: No. 0960022602.

Note 8: The capital increase was approved by the Hsinchu Science and Technology Park Administration on September 24, 2008. The approved no. is: No. 0970026326.

Note 9: The capital increase was approved by the Hsinchu Science and Technology Park Administration on February 10, 2011, and approval number was: No. 1000004086.

Note 10: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 23, 2011. The approved number was: No. 100025501.

Note 11: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 10, 2010. The approved number was: No. 1010024643.

Note 12: The capital increase was approved by the Hsinchu Science and Technology Park Administration on July 31, 2013. The approved number was: No. 1020022636.

Note 13: The capital increase was approved by the Hsinchu Science and Technology Park Administration on November 14, 2013. The approved number was: 1020032941.

2. Types of shares

Date: March 31, 2019; Unit: Shares

Types of shares	Approved capital			Remarks
	Circulating shares	Unissued shares	Total	
Common stock	42,608,234	7,391,766	50,000,000	-

3. Information on the general declaration system: not applicable.

(2) Shareholder structure

March 31, 2009

Shareholder structure / Qty.	Government agency	Financial institution	Other juridical persons	Individual	Foreign institutions and juridical persons	Total
Number of people	-	6	97	132	6,816	7,051
Number of shares held	-	2,109,239	8,977,814	10,783,883	20,737,298	42,608,234
Shareholding ratio	-	4.95%	21.07%	25.31%	48.67%	100%

(3) Equity dispersion condition

1. Common stock:

Face value: NTD$10/share; March 31, 2019

Shareholding grading	Number of shareholders	Number of shares held	Shareholding ratio
1-999	3,637	215,969	0.51%
1,000-5,000	2,835	4,868,625	11.43%
5,001-10,000	236	1,844,915	4.33%
10,001-15,000	85	1,109,650	2.60%
15,001-20,000	46	828,323	1.94%
20,001-30,000	58	1,445,453	3.39%
30,001-40,000	23	836,522	1.96%
40,001-50,000	14	654,056	1.54%
50,001-100,000	48	3,447,983	8.09%
100,001-200,000	30	4,219,179	9.90%
200,001-400,000	19	5,368,389	12.60%
400,001-600,000	9	4,159,998	9.76%
600,001-800,000	2	1,525,455	3.58%
800,001-1,000,000	1	952,000	2.23%
Over 1,000,001 shares	8	11,131,717	26.14%
Total	7,051	42,608,234	100.00%

A, special stock: no.

(4) List of major shareholders: the shareholder's shareholding ratio is more than 5% of the shareholders or the shareholding ratio of the top ten shareholders, the shareholding amount and proportion

March 31, 2019

Share / Major shareholder name	Number of shares held	Shareholding ratio
Chase Trust T-Ropes International Discovery Fund	1,900,000	4.46%
Nanshan Life Insurance Co., Ltd.	1,838,000	4.31%
WANG/GUANG-SHIAH	1,366,353	3.21%
Jianit Co., Ltd	1,351,752	3.17%
CHANG/YUNG-YANG	1,282,842	3.01%
Fu Li Investment Co., Ltd.	1,224,921	2.87%
AAEON Technology Co., Ltd.	1,135,020	2.66%
YU/MING-CHANG	1,032,829	2.42%
Standard Chartered Hosted by Credit Suisse Securities - Renaissance Long-Term Sales	952,000	2.23%
Li Zhenfu	780,000	1.83%

(5) Price per share, net worth, surplus, dividends and related materials in the last two year Surplus allotment

Unit: NTD$; thousand shares

Year / Item			2017	2018	Annual as of March 31, 2019
Price per share	Highest		221.00	530.00	493.5
	Lowest		57.00	210.5	352
	Average		142.72	379.96	425.18
Net value per share	Before distribution		31.47	51.87	31.02
	After distribution		21.47 (Note 1)	24.87 (Note 2)	Not distribute yet
Earnings per share	Weighted average number of shares		42,608	42,608	42,608
	Surplus per share	Before adjust	10.86	30.43	6.13
		After adjust	10.86	30.43	Not yet assigned
Divid	Cash dividend		10.00	27.00	Not yet assigned

end per share	Free share allotment	Free share allotment surplus allotment	-	-	Not yet assigned
		Stock of capital increase out by earnings	-	-	Not yet assigned
	Accumulated unpaid dividends		-	-	-
Investment compensation analysis	P/E ratio (Note 3)		11.81	12.49	-
	Price to dividend ratio (Note 4)		12.82	14.07	-
	Cash dividend yield (Note 5)		0.08	0.07	-

Note 1: It is based on the allocation of the resolution of next year’s shareholders meeting.

Note 2: It is based on the allocation of the resolution of the board of directors on February 13, 2019.

Note 3: P/E ratio: average closing price per share/earnings per share for the year.

Note 4: Price to dividend ratio: average annual closing price per share/cash dividend per share.

Note 5: Cash dividend yield: cash dividend per share/average closing price per share for the year.

(6) Company's dividend policy and implementation status

1. Dividend policy

(1) The company shall, after deducting employee's compensation, benefits and the remuneration of the directors in the pre-tax profit of current year, retain amount of accumulated losses. If there is still a balance, the salary shall be no less than 5% for the employee's compensation and no higher than 3% is paid to directors of the board of directors. Employees' compensation, the decision of the director's compensation distribution ratio and the employee's compensation in the form of stocks or cash shall be reported by the board of directors at a resolution of more than two-thirds of the directors' attendance and a majority of the directors' consent. Employee compensation is paid by stocks or cash, including employees of subsidiary companies that meet certain conditions.

(2) The company's surplus distribution or loss is replenished every six months. If there is a surplus in the final accounting of each half of the accounting

year, it should first retain the taxable amount, make up for the loss according to law and provide 10% as the statutory surplus reserve; but the statutory surplus accumulation of the company has reached the total capital of the company, it is not limited to this, and a special surplus reserve is required according to law or the competent authority. If there is still surplus, the balance plus the accumulated undistributed surplus in previous quarter shall be proposed by the board of directors. In the case of cash, it shall be resolved by the resolution of the board of directors, and the method of issuing new shares shall be submitted to the shareholders' meeting for resolution.

(3) If the company's total annual final accounts have surpluses, it should first retain the taxable amount, make up for the losses according to law, and provide 10% of statutory surplus reserve, and make or transfer special surplus reserves according to law or the competent authority. If there is still surplus, and its balance plus the accumulated undistributed surplus in previous quarter is proposed by the board of directors to be distributed and submitted to the shareholders meeting for resolution.

2. Execution situation

The proposed dividend distribution of the shareholders meeting:

The board of directors of company on February 13, 2019, proposed a cash dividend of NTD$1,150,422,318 for (2018) annual surplus, and a disbursement of NTD$27 per share, which will be resolved at the shareholders' meeting on May 29, 2019.

3. The situation in which the dividend policy is expected to change significantly: none.

(6) The impact of the proposed free share allotment on the company's operating performance and earnings per share:

<table>
<tr><th colspan="2">Item/year</th><th>Year 2019 (estimated)</th></tr>
<tr><td colspan="2">Initial paid-up capital</td><td>426,082 thousands</td></tr>
<tr><td rowspan="3">This year’s share allotment</td><td>Cash dividend per share</td><td>NTD$27.00 (Note 1)</td></tr>
<tr><td>Earnings to increase capital shares per share</td><td>0</td></tr>
<tr><td>Capital reserve to capital increase</td><td>0</td></tr>
<tr><td rowspan="3">Business performance change</td><td>Operating profit</td><td rowspan="3">Note 2</td></tr>
<tr><td>Increase or decrease ratio in operating profit over the same period last year</td></tr>
<tr><td>Net profit after-tax</td></tr>
</table>

	After-tax net profit increased (decrease) ratio compared with the same period last year		
	Earnings per share		
	Earnings per share increase (decrease) compared to the same period last year		
	Annual average rate of return (annual average P/E ratio)		
Proposed earnings per share and P/E ratio	If surplus is transferred to capital increase, the cash dividend will be fully distributed	Proposed earnings per share	
		Proposed annual average return on investment	
	If capital reserve is not transferred to capital increase	Proposed earnings per share	
		Proposed annual average return on investment	
	If capital reserve is not processed and surplus is transferred to capital, cash dividend will be distributed.	Proposed earnings per share	
		Proposed annual average return on investment	

Note 1: The board of directors of this company passed the resolution on February 13, 2019.

Note 2: The Company did not disclose the financial forecast in year 2019, so it is not necessary to disclose the forecast information of the year 2019.

(6) Employee compensation and remuneration of directors and supervisors of the board of directors:

(1) The employee's compensation and the number or scope of remuneration of directors and supervisors as set out in the company's articles of association: see (6) for explanation.

(2) Estimation of the employee's compensation and the estimated basis of the remuneration of the directors and supervisors of the board of directors, the calculation basis of the shares of the allotment of the dividends, and the accounting of actual allotment amount when there is a difference between the estimated number of shares: the change processing is listed as the profit and loss of next year.

(3) Information on the proposed distribution of employee compensation approved by the board of directors

A. the Company's year 2018 employees’ compensation were NTD$161,623,566, and the remuneration of the directors and supervisors of the board of directors were NTD$32,036,743. The amount approved by the board of directors is the same as the annual estimated amount of recognized expenses.

B. Proposed allotment of employee stock remuneration shares and its share of surplus to capital increase through the board of directors: it is proposed not to distribute employee stock dividends.

C. After the company's year 2018 annual employee compensation and the remuneration of directors and supervisors of the board of directors, the basic earnings per share after tax is NTD$30.43.

(4) The actual allotment of the employee's compensation and the remuneration of directors and the supervisors of the board of directors (including the allotment of shares, amount and share price), which is different from the recognition of employees, compensation and the remuneration of directors and supervisors. The person should also state the rates, causes and treatments:

Unit: NTD$1,000

Distribution item / Distribution situation	Employees' bonus	Directors and supervisors' remuneration
Proposed allocation by the board of directors	57,820	12,505
Actual no. of issuance	57,820	12,505

(6) The company bought back shares: none.

B. Company debt processing situation: none.

C. Special stock handling situation: none.

D. The situation of overseas depositary receipts: none.

E. Employee stock option certificate processing: none.

F. Limit the rights of employees to deal with new shares: none.

G. Merger or acquisition or transfer of shares of his company to issue new shares: none.

H. Implementation of fund practice plan: none.

5. Operation overview

1. Business content:

(1) Business scope:

(1) Main contents of business

CB01010 Mechanical equipment manufacturing
CE01010 General Instrument manufacturing
CE01030 Optical instrument manufacturing
I301010 Information software service
F401010 International trade

Research, develop, manufacture and market following products:

A. Non-contact mechanical vision inspection system equipment (detection accuracy below 10μm)

a. BGA, CSP substrate inspection system equipment
b. LCD PANEL detection system equipment.
c. PCB high-speed hole measurement equipment

B. Smart vision module
C. Wire width detector
D. Drill needle detector
E. Arrow target analysis software
F. Concurrently engage in import and export trade related to the above products

(2) Business share of major products

Service item / Product value	Year 2018	
	Turnover (NTD$ thousand)	Operating proportion (%)
Flexible board inspection series	1,546,356	49.70%
Online circuit inspection series	448,492	14.41%
Semiconductor testing series	424,277	13.63%
Other testing series	605,874	19.47%
Service income	86,877	2.79%
Total	3,111,876	100.00%

(3) Company's current commodity (service) projects

The company's specialization technology is divided into three parts, the first is appearance inspection (generalized AVI) technology, the second is two-dimensional and three-dimensional measurement (2D/3D measurement) technology, and the third is circuit inspection (general circuit AOI) technology, these three technologies can be applied in different industries, such as AVI can be applied to PCB and COF appearance final inspection, IC carrier appearance inspection, semiconductor Wafer Die visual inspection, active and passive components visual inspection and LCD defect inspection; The three-dimensional measurement technology is more widely used, such as PCB copper filling inspection, BGA Bump inspection, Wafer Bump inspection, SMT solder paste thickness inspection, etc.; in addition, circuit inspection technology can be used in PCB and COF circuit inspection, LCD Array end glass substrate and Touch panel circuit inspection. Since company's main testing core technology has been modularized, it is possible to quickly complete new testing system needed to develop in different industries. At the same time, AI deep learning technology is introduced and integrated into various testing devices, which can reduce false positive rate and reduce the manpower of rechecking. The following is a summary of existing developed test products in PCB/semiconductor/COF industry as follows:

A. PCB drilling and forming process measurement and testing series
 (A) High-speed hole position measuring machine Hole-AOI
 (B) High speed hole inspection machine
 (C) Universal size measuring machine EZ3D.

B. PCB/COF circuit inspection series
 (A) Film circuit inspection machine
 (B) Wire width measure gauge
 (C) Inner and outer circuit inspection machine

C. HDI and IC carrier board inspection series
 (A) Laser blind hole inspection machine Laservia-AOIM
 (B) Blind hole filling copper depression detector 3D Profiler
 (C) Tin ball bump detecting device
 (D) 3D scanning inspection machine
 (E) Auto stereoscopic image measuring machine
 (F) Hard board appearance inspection machine
 (G) Appearance inspection machine after flexible PCB/ flexible PCB assembly
 (H) IC carrier board inspection machine

D. Semiconductor packaging and inspection series
 (A) Wafer appearance visual inspection machine
 (B) COF Package appearance visual inspection machine

(4) New product (service) projects planned to be developed

This year, the company will invest more resources in research and development. In addition to PCB AOI equipment that has been focused on in the past, this year, two projects of COF and Smart Camera will be strengthened to make products more diversified and market more extensive.

In the development of PCB AOI, we will continue to improve in the field of appearance visual inspection (AOFI), with new designs on flexible PCB, PCB and carrier boards to expand market share. In addition, on circuit inspection machines, we will continue to work hard to reduce customers' manpower, so that customers are willing to take initiative to replace new machines in order to reduce the cost of manpower.

In terms of COF, company has integrated technologies such as circuit AOI and appearance AOI to expand the development of various AOI equipment designs to meet the different needs of customers and expand COF market.

Regarding Smart Camera, combined with AI technology and in line with the design of Industry 4.0, it is widely used in automation equipment, and currently there are three integrated products in progress.

(2) Industry Overview:

(1) Current status and development of industry

This company is specialized in machine vision inspection and measurement system equipment, with integrated optical imaging system, image processing, precision machinery and motion control technology. Our products are non-contact precision measurement and Automated Optical Inspection (AOI), provides a complete solution for mechanical vision applications. In addition to their ability to identify good and defective products, they also have high-precision 2D/3D measurement and quality control statistics functions. Company's current main products are used in printed circuit board industry, including: PCB drilling and forming process measurement and testing, PCB circuit inspection, HDI and IC carrier board inspection equipment, etc. In recent years, we have also developed semiconductor packaging and testing industry detection of products, current status and development of related industries are as follows:

A. Analysis of industrial development

Printed Circuit Board (PCB) is a circuit design formed by printed circuit boards by various electronic components, it serves as an important medium and carrier for communication between components, so that the functions of various components can be realized. It can be said that it is the foundation of electronic products, and is widely used in all electronic, communication, information appliances, automotive and aerospace products. Its categories are traditional single/double panels, multi-layer boards, HDI high-density inter-connection boards, IC carrier boards and flexible PCB. As the demand for electronic information and communication products expands, and tends to be light, thin, and multi-functional, the demand for PCB products (such as HDI, IC carrier boards and flexible boards) is going to be higher-order and finer, so for precision measurement or testing equipment, the demand will be more and more eager. Semiconductors are even more necessary for the development of high-precision detection of high-precision detection.

(A) Overview of the global PCB and semiconductor industry

According to IEK and TPCA statistics, global PCB market output value exceeded $59 billion in 2011. The 2018 global circuit board market has grown in all regions except for Japan, with a total output value of US$69.1 billion and a growth of approximately 6.1%. The first in the ranking is that the output value of Taiwan-funded circuit boards is 21.6 billion US dollars, with more than 31%. Ranked second, the value of Chinese circuit boards was 13.3 billion US dollars, accounting for 19.2%. Ranked third, the value of Japanese-made circuit boards was close to 13.2 billion US dollars, accounting for 19.1%. South Korea is ranked fourth, with an output value of 9.4 billion US dollars, contributing 13.6%. IEK also estimates that 2019 still has a small growth of 1.16%, with an output value of approximately $69.9 billion.

In terms of regions in the world, the output value of Asia in 2018 (including China/Hong Kong, Taiwan, Japan, and South Korea) reached US$57.5 billion, exceeding the world's output value by 83%. Due to proximity to demand market, we have great advantages in sales and service.

Source: TPCA; ITRI IEK (2019/04)

Global and national circuit board production scale trends

In response to the development trend of modern electronic products towards light, short, fast, multi-functional integration and the growth of demand for high-end handheld electronic mobile devices and memory, the overall semiconductor output value has grown substantially, In 2018 global semiconductor industry sales reached $468.7 billion, compared with 2018, it has grown by 13.7%. According to the World Semiconductor Trade Statistics (WSTS) forecast, after the two consecutive years of growth in 2017 and 2018, 2019 will have a small reduction of 3%, reaching $454.5 billion. In the IC category, it is estimated that memory output declines at most and the rest grows. And in Japan and Asia-Pacific region, it has a global output value of 68%. It will be positive for us to develop its semiconductor business.

Autumn 2018 - Q4 Update	Amounts in US$M			Year on Year Growth in %		
	2017	2018	2019	2017	2018	2019
Americas	88,494	**102,997**	**97,021**	35.0	16.4	-5.8
Europe	38,311	**42,957**	**42,824**	17.1	12.1	-0.3
Japan	36,595	**39,961**	**40,351**	13.3	9.2	1.0
Asia Pacific	248,821	**282,863**	**274,350**	19.4	13.7	-3.0
Total World - $M	412,221	**468,778**	**454,547**	21.6	13.7	-3.0
Discrete Semiconductors	21,651	**24,102**	**24,776**	11.5	11.3	2.8
Optoelectronics	34,813	**38,032**	**38,611**	8.8	9.2	1.5
Sensors	12,571	**13,356**	**13,899**	16.2	6.2	4.1
Integrated Circuits	343,186	**393,288**	**377,261**	24.0	14.6	-4.1
Analog	53,070	58,785	61,083	10.9	10.8	3.9
Micro	63,934	67,233	68,513	5.5	5.2	1.9
Logic	102,209	109,303	112,109	11.7	6.9	2.6
Memory	123,974	157,967	135,557	61.5	27.4	-14.2
Total Products - $M	412,221	**468,778**	**454,547**	21.6	13.7	-3.0

Source of data: WSTS (2019/02)

Global Semiconductor Market Forecast

(B) Taiwan PCB Industry Overview

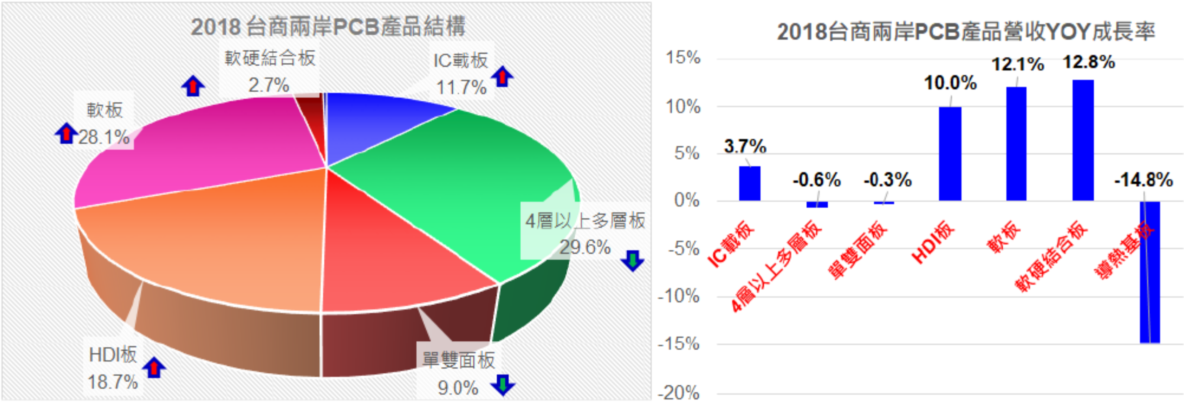
According to the statistics of IEK and TPCA, the value of PCB market from Taiwan investment, domestic or international, had exceeded US$17 billion starting from 2011. In 2018, the value of PCB industry cross-strait was US$651.4 billion that has set a new high at a growth rate estimated at 5.2% in TWD and even over 6.2% in USD. The main factor that is liable for the growth is the increasing adaption of high-end PCB, for example, the smartphone's motherboard was changed to Substrate Like PCB (SLP) form HDI, rigid-flex PCB is applied on more display screen, and the peripheral products of smartphones such as Air Pods, Apple Watch have higher growth. In addition, both the rising demand for memories by high-end CPU in early 2018 and the growing demand for ABF substrates by high-performance computing chips that has made the shortage of ABF substrate in late 2018 are the reasons. Therefore, driven by the surging demand for various high-end PCB, its market value and added-value can create the record high.

	2017 Q2	2017 Q3	2017 Q4	2017	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018	2019(e) Q1
產值 (億新台幣)	1,323	1,684	1,870	6,192	1,410	1,468	1,826	1,810	6,514	1,395
Q/Q	0.6%	27.3%	11.0%		-24.6%	4.1%	24.4%	-0.9%		-22.9%
Y/Y	-0.2%	12.5%	19.6%	9.5%	7.2%	11.0%	8.4%	-3.2%	5.2%	-1.1%
	2017 Q2	2017 Q3	2017 Q4	2017	2018 Q1	2018 Q2	2018(e) Q3	2018 Q4	2018	2019(e) Q1
產值 (百萬美金)	4,371	5,561	6,231	20,348	4,812	5,007	5,952	5,865	21,601	4,574
Q/Q	3.3%	27.2%	12.0%		-22.8%	4.0%	18.9%	-1.5%		-22.0%
Y/Y	7.0%	17.9%	26.7%	16.3%	13.8%	14.6%	7.0%	-5.9%	6.2%	-5.0%
匯率	30.27	30.28	30.01	30.43	29.30	29.32	30.68	30.86	30.16	30.50

Source of data: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2019/02)

The output value of Taiwanese-funded PCB

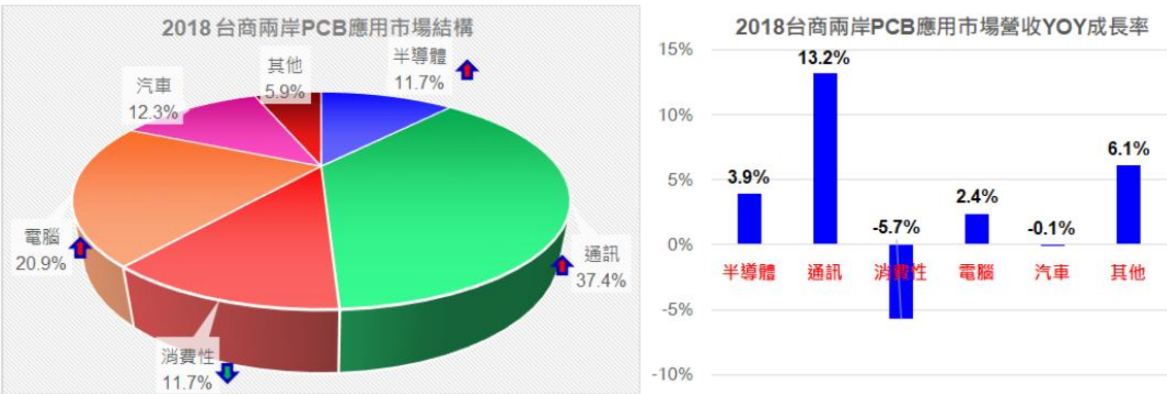
In terms of PCB products structure, the ones with the highest growth rate are rigid-flex PCB, FPCB, and HDI. Although the market value of rigid-flex PCB only accounts for 2.7% of the total, there shall be opportunities for growth as the wide-range of application and high gross margin. The value of FPCB reached 28% of the total even though the market saturation of mobile phones, with its feature of being compact, the application of FPCB can be extended to the automobile and wearable products. HDI PCB will also be applied on LED screen photovoltaic panel and automotive electronics.



Source of data: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2019/02)

2018 Taiwanese-funded PCB Products Structure and the Respective Revenue Growth Rat

In terms of the applications of PCB, due to the expansion of IOT application, AI and social media markets, the needs for servers, high-end computers and internet communication are also surging. Therefore, the applications to communication and computers have higher percentage and growth.



Source of data: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2019/02)

2018 Applications Structure and the Respective Revenue Growth Rate of PCB from Taiwanese Fun

In recent years, there are more and more Chinese-funded listed PCB companies while there are also many incentives offered by the local government in order to enhance the productivity and improve the companies. As the plentiful capital and continual growth of local demand, the production capacity has been expanded dramatically and therefore the production and inspection system with higher efficiency are applied proactively

Whether the funds is from Taiwan or mainland China, improving the production technology and reducing the production cost by automation and AI to address the changing needs of electronics industry would be critical for investing in highly-competitive PCB industry in the future. Therefore, the inspection system, developed by the Company, that can help on automation and manpower reduction is in line with the industry trend.

MACHVISION Inc. is a company specializing in Machine Vision inspection and measuring system. We have been involving in Taiwan and China markets for many years. With the experience of cooperating with the main PCB and wafer prob and packaging companies, domestic or international, we expect to enhance our business income as Taiwan and China companies expand their scale and production capacity. We are also enhancing our competitive capabilities by developing the new automated inspection system with high productivity that can reduce manning requirement and inspection cost dramatically.

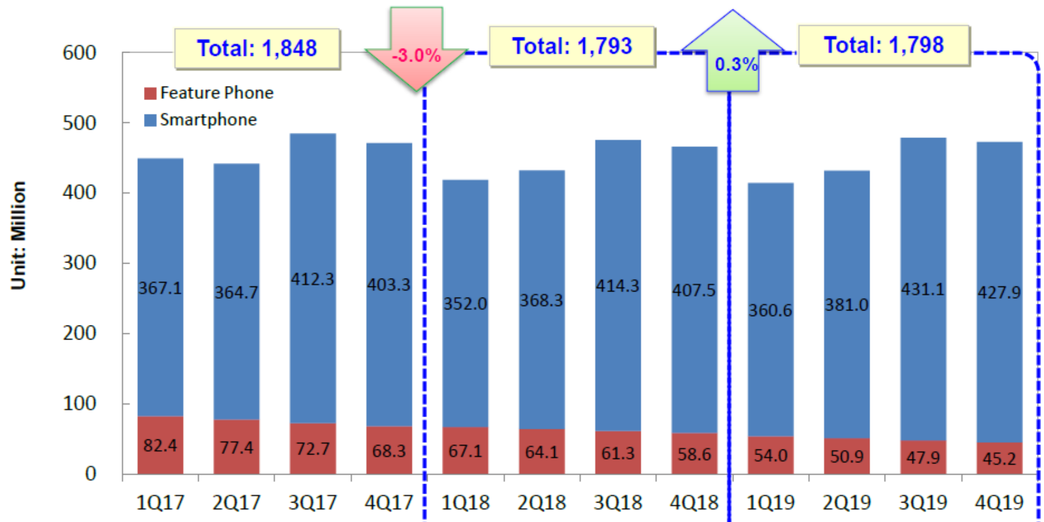
(C) The Development of Downstream Applications

a.The evolving of existing products and the application of new products

(a) The market development of various mobile phones

According to the statistics of IEK, mobile phone vendors shipped a total of 1.79 billion units globally in 2018, resulting in a 3% decline compared to that of 2017. The main factors that are liable for the drop are the declining demand, the extending replacement cycle length of mobile phones, and the high-priced of high-end mobile phones. For smartphone solely, the shipped volume occupies 83.7% in 2017 while it rises to nearly 86% in 2018. Smartphone vendors shipped a total of 1.542 billion units in

2018, that is merely 0.3% decline compared to that of 2017. Compared with traditional mobile phone, smartphone shall contribute more on the demand in high-end electronic parts and components. Outlook for 2019 indicates that since there will be the continual launch of foldable mobile phones and the primary mobile phone players are ready for 5G phones, the overall shipped volume will slightly increase and for smartphone it is 3% growth rate to 1.6 billion units.



Smartphone(QoQ)	-14.1%	-0.6%	13.1%	-2.2%	-12.7%	4.6%	12.5%	-1.6%	-11.5%	5.7%	13.2%	-0.8%
Feature Phone(QoQ)	-13.2%	-6.1%	-6.1%	-6.1%	-1.8%	-4.4%	-4.4%	-4.4%	-7.8%	-5.8%	-5.8%	-5.8%

Source of data: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2019/02)

The global trend of mobile phone shipment

Among the top 5 smartphone suppliers, Huawei has the impressive performance that reached 43.9% growth rate of annual shipped volume. The other two suppliers, OPPO and Xiami, also have achieved growth. These three suppliers are all based in China and many of their supply chains are from mainland China too. It thus drives the demand in PCB.

No	Vendor	4Q18 Shipments	4Q18 Share	4Q17 Shipments	4Q17 Share	YoY Chang
1	Samsung	70.4	18.7%	74.5	18.9%	-5.5%
2	Apple	68.4	18.2%	77.3	19.6%	-11.5%
3	Huawei (China)	60.5	16.1%	42.1	10.7%	43.9%
4	OPPO (China)	29.2	7.8%	27.3	6.9%	6.8%
5	Xiaomi (China)	28.6	7.6%	28.2	7.1%	1.4%

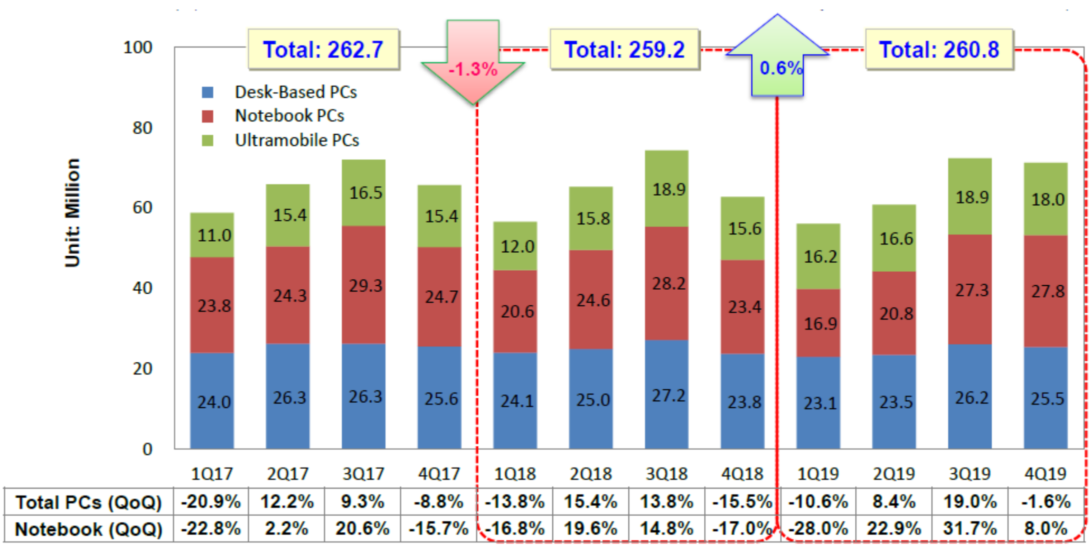
Source of data: IDC (2019/02)

2018 Worldwide Smartphone Market, Top 5 Company Shipments

(Unit: in million units)

(b) The market development of PC

According to the statistics of Gartner and IEK, PC vendors shipped a total of 259 million units globally in 2018, resulting in a 1.3% decline compared to that of 2017. However, compared with the past few years that were at a decline rate of 3%, plus the impact of the shortage of Intel CPU, the decline is getting milder and stable. Therefore, it is forecast that in 2019 it may rise by 0.6% to 260 million units.

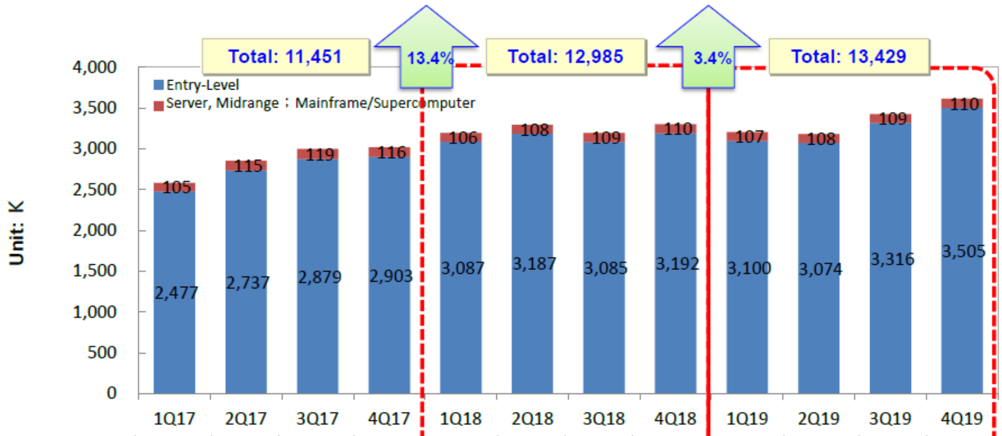


Source of data: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2019/02)

PC sales 2017-2018 and a forecast for 2019

(c)The market development of serve

According to the analysis of Gartner, global shipment for servers by origins shows the growth, especially North America that has the growth rate at 18.3%, followed by China at 2.4%, Asia Pacific Region at 2.4%, Japan at 5.6%, EMEA (Europe, the Middle East and Africa) at 1.5%, and Latin America at 0.8%. Total shipment figure is 12.98 million units with a growth rate reached 13.4%. Since the market has gradually accepted cloud service and the demand in hyperscale server is increasing, service providers have been expanding the investment in data center. It is estimated that global server shipments to grow by 3.4% to exceed 13.42 million units in 2019.



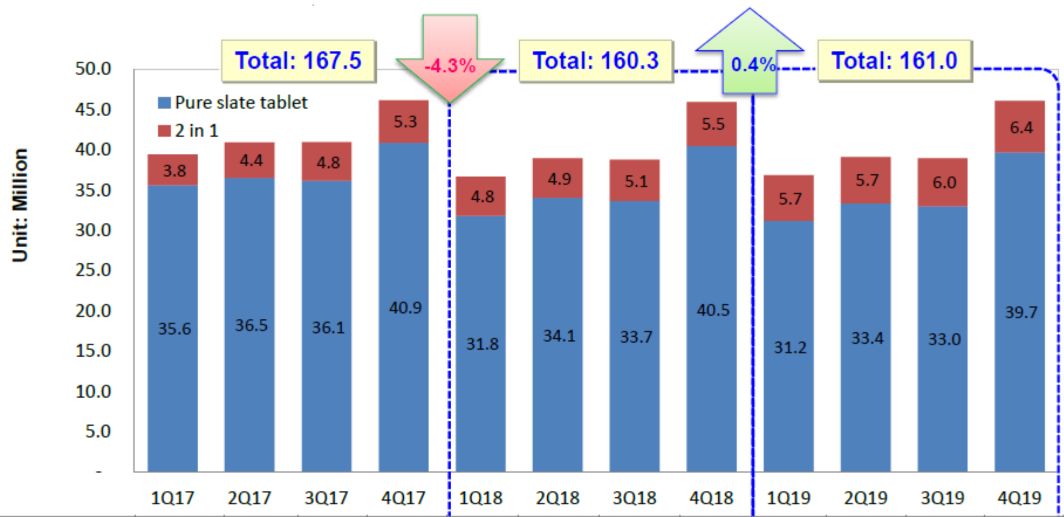
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Entry-Level	-6.9%	10.5%	5.2%	0.8%	6.3%	3.3%	-3.2%	3.5%	-2.9%	-0.8%	7.9%	5.7%
Server, Midrange：Mainframe/Supercomputer	-10.6%	10.0%	3.2%	-2.6%	-8.2%	1.2%	1.2%	1.2%	-3.0%	1.1%	1.1%	1.1%

Source of data: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2019/02)

Worldwide server market growth rate

(d) The market development of tablets

The global tablet shipments have exceeded 160 million units both in 2017 and 2018, among which the shipments of 2-in-1 device (detachable tablets) grew by 3.3%. As more and more new launches of detachable tablets, as well as Chrome OS, Surface Go, and affordable iPad Pro released to the market, so long as the performance and software of 2-in-1 devices are able to meet the requirement of users, according to the projection of IEK at ITRI, the market shall be continually remaining and growing.



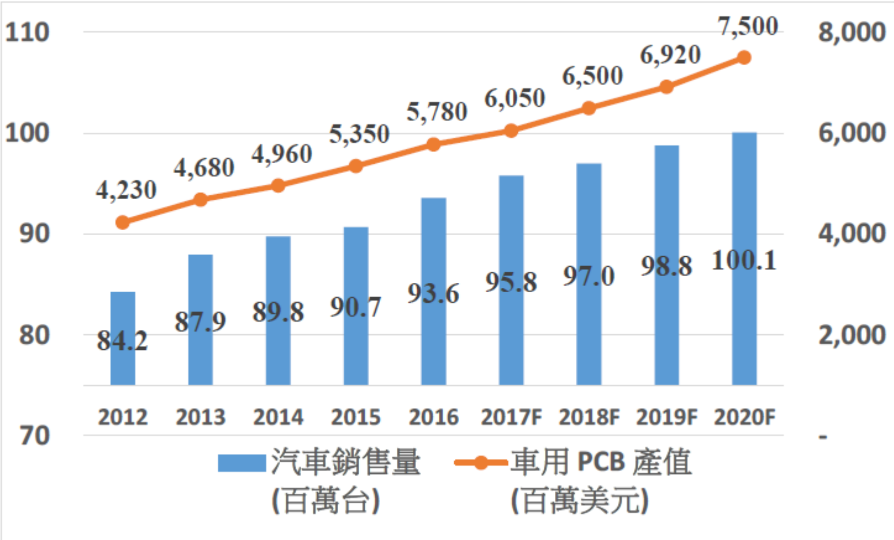
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Pure slate tablet (QoQ)	-24.3%	2.5%	-1.0%	13.1%	-22.1%	7.0%	-1.2%	20.2%	-23.0%	7.0%	-1.2%	20.2%
2 in 1 (QoQ)	-21.3%	16.6%	9.6%	9.1%	-8.5%	0.8%	4.7%	7.0%	4.0%	0.8%	4.7%	7.0%

Source of data: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2019/02)

Quarterly sales of tablets

(e) The market development of automotive electronics

Driven by AI in automotive and the trend of electric cars, automotive PCB will be widely applied to the various automotive electronic systems. For example, it can be applied to the systems of driving safety aided, automotive engine, car body and safety, entertainment, navigation and smart lighting, etc. According to the projection of IEK, driven by the rising sales of automobiles, the output value of automotive PCB can reach US$6.9 billion in 2019, which means an annual CAGR of at least 5%. Since the automotive electronics product life cycle is longer than that of consumer electronics, there shall be continual new demands in semiconductor, multi layered PCB, FPCB, rigid-flex PCB, and HDI, also the product with same part number would sustain a longer period of shipments. The PCB for a car used to cost only US$30-50 while the PCB for a luxury car now may cost US$150-180. We believe that there will be more diversified opportunities presented for the application of automotive electronics. Therefore, the demand in PCB and semiconductor will continue to increase as well.

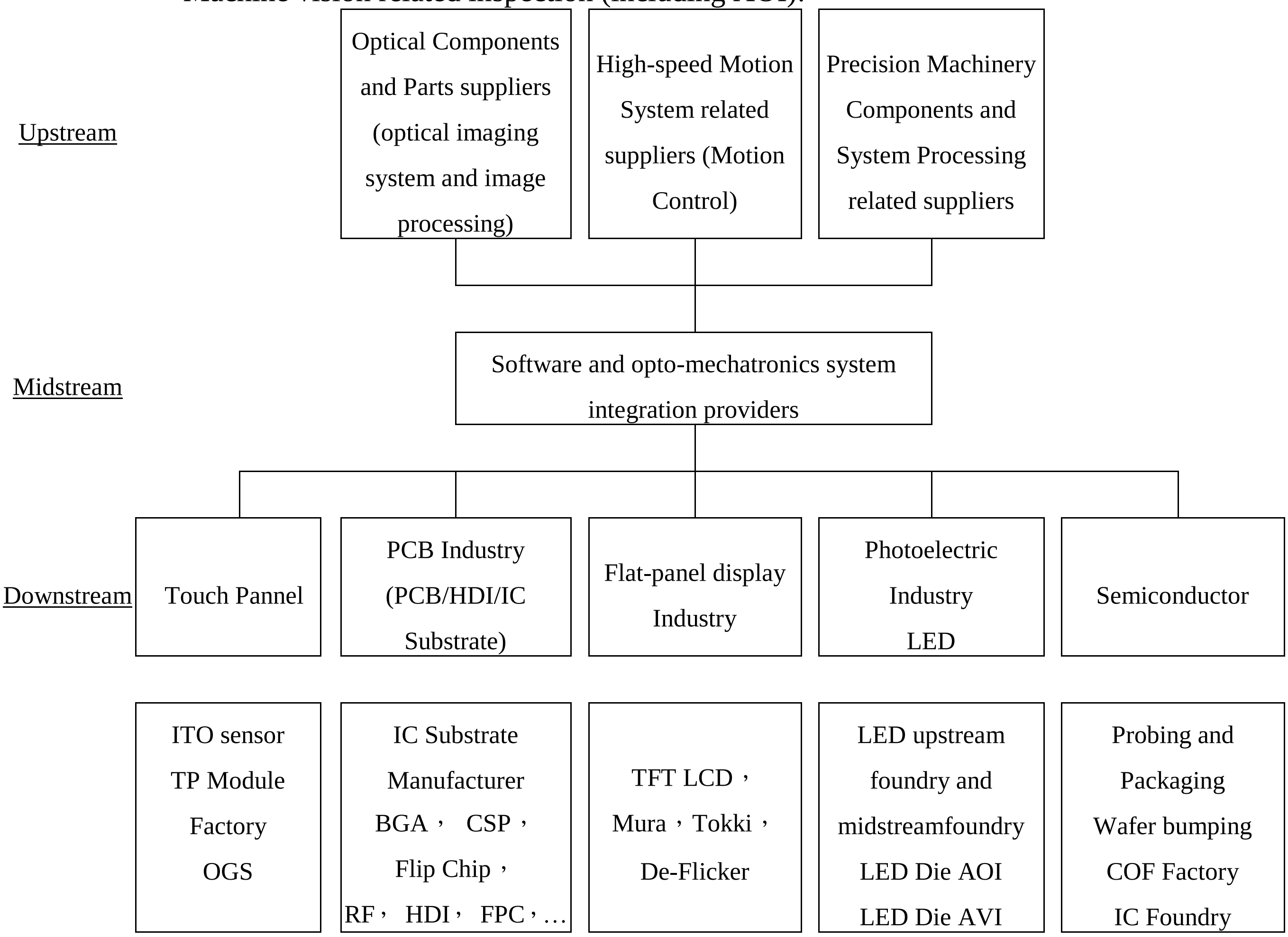


Source of date: TPCA (2018/02)(2019/02)

Worldwide vehicle sales and output value of automotive PCB

(2) The relevance between upstream, midstream, and downstream sectors in an industry

Machine vision related inspection (including AOI):



(3)The various developing trends and competition of the products

A.AOI system being developed for a higher precision and speed

In advanced countries including Taiwan, the tendency for electronic products to be compact and required of quality will facilitate the upgrade of traditional AOI system, for example: measurement technology will be enhanced from 2D plane inspection and measurement to 3D (three-dimensional) inspection and measurement. Therefore, it is foreseen that the demand in AOI system with a higher precision and speed will be rising.

B. The development trend of AOI in mainland China's market

AOI has originally been the necessary investment for ensuring production quality in the industry of advanced countries. Traditional labor-based industries generally had low throughput without the necessity of using AOI for quality inspection while the primary goal was set towards automated production and enhancing production capacity. Nonetheless, due to the mature development of automated production, the number of quality inspection personnel will be greatly increased in order to cope with the surging production capacity, which is feasible when the salary level of the workforce is low. However, while the product spec is getting more and more precise, the salary in China is getting higher, and the young generation is not willing to take the job in a manufacturing plant, the turnover rate is getting higher. Therefore, AOI has become the necessary investment in the next stage for electronic and semiconductor industry in China, and surely the demand in it shall grow.

C.Increasing adaption of AOI system in traditional industry

For traditional Manual Visual Inspection (MVI) is no longer able to effectively control the quality, the traditional industry sector in Taiwan also has to develop towards high quality in order not to be phased out. Therefore, AOI system will be adopted to replace traditional MVI and the demand in it shall continue to increase.

D.Equipment Localization

In recent years, the emerging high-tech industry has been growing and hence the surging need for precision measurement systems. Among them, AOI is particularly the trend that cannot be halted. The technical field of AOI is extremely wide and the adoption includes the industries of semiconductor, flat-panel display, LED, and PCB, etc. Most markets having a demand in AOI system are located in Asia. Currently, a large majority of the AOI system used by the main industries in Taiwan are imported ones that may have the disadvantages such as high price, difficult maintenance and high cost of selling. However, since the government have started to support equipment localization, in 2004 the Center for Measurement Standards／Industrial Technology Research Institute (CMS／ITRI) led to form AOI Equipment Association (AOIEA) that connects the related organizations of industry, government, university, and institute to promote the overall development strategy for domestic AOI industry. In recent years, the domestic equipment providers have greatly enhanced their capabilities, and the selling price is lower than that of the equipment made by foreign manufacturers; in addition, the requirements of customization can be effectively communicated. Therefore, in order to reduce procurement cost and improve service maintenance quality, domestic and foreign companies have gradually increased the proportion of buying domestic AOI equipment.

E.Market Competition

The focus of our R&D is mostly on developing the latest types of product with Blue Ocean Strategy; therefore, there is no existing powerful competitor in the market while we may primarily compete with our R&D and improvement pace to be in line with the progressing industry. Some of the equipment that has been facing competitors in the market may have a relatively large market. For example, the existing competitors of wiring AOI inspection system include the foreign companies of Orbotech, CIMS (original Camtek PCB division), and Screen, all of them are the primary competitors of the Company. However, in 2017, we have launched the solution with higher productivity that can facilitate manpower saving, there were many large-scale manufacturers have replaced the old system to enhance their competitiveness and instead become the leaders of the market.

In addition, for AVI system, Japanese company, Shirai, is the main foreign competitor while in Taiwan UTECHZONE Co. is also having the same development. The competitiveness of both products is the excellent inspection rate and throughput which shall help on reducing manning for re-inspection, together with the newly developed AI deep learning. In this way, we are not only able to catch up with the original leading company, but also able to leave other competitors behind and enhance customers' satisfaction through quality service system.

For the existing products other than these two, most of the competitors are followers. Take Hole-AOI as an example, the products by competitors from the States and Japan are with high quality and they normally focus on the various functions provided while there are other competitors who do not reinforce the quality of their products but instead have the focus on competing by low price. To cope with these, the Company's strategy is to expand our R&D, keep improving, and segment the market. We offer diversified models to meet the needs of different layers of customers while ensure profit and competitive advantage. In addition, we rely on our patents to expand the gap between the functions of our products and that of competitors'. Apart from that, the Company is committed to enhance the service quality, to maintain existing customers, and furthermore to gain the new customers.

5.1.3 Overview of Technology and R&D

(1) The Technical Level and Research & Development of the Business

Recently, the Company has been devoting our effort to enhance the technology of wiring AOI and AOI for final inspection. What we have delivered include the re-invention of optical and electronic technology that has a further aided effect for existing image processing technology in terms of enhancing the speed of imaging with a better quality, strengthening heat removal effect of the system to improve inspection capability and system's stability.

In the industry globally, it is rare that a company can have the technologies of wiring AOI, AOI for final inspection, and 3D AOI at the same time but we made it, which is of great help on integrated application for efficiently developing any products with high performance.

(2) R&D Staffs and Their Education Background and Experience

Unit: people

Item \ Year		Year 2017	Year 2018
Distribution of Academic Qualification	PhD	2	4
	Graduate	44	57
	Undergraduate	18	19
	Senior high school (including)	0	0
TOTAL		64	64
Average Seniority (years)		4.85	4.85

(3) Annual R&D Expenses in Latest Five Years

Unit: TWD 1,000

Year / Item	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019 Q1
A.R&D Expense	87,976	78,731	104,856	143,758	169,439	47,633,
B.Sales Revenue	654,194	610,127	809,631	1,420,888	3,111,876	670,772
A/B	13.45%	12.90%	12.95%	10.12%	5.44%	7.10%

(4) Successfully Developed Technologies or Products in Latest Five Years

Year	Product/Proprietary technolog	Main purposes
2014	Circuit AOI/ Express	Using high speed to detect defects such as short / open circuit, protrusion / depression, scratch, pinhole, residual copper, line width / line distance violation, missing objects, unwanted objects, and so on.
2015	AOFI	Introduced AOI into AFI to make it be able to inspect double sides simultaneously with high efficiency which can replace 4 times of the missed detection rate by people.
2016	FPCB AVI	FPCB AVI to detect defects such as solder mask, solder, Au discoloration, etc. This program shall greatly improve production rate and reduce false alarm rate.
2017	Smart AOI 4.0	The design complies with industry 4.0 and can help customers resolve the problem of manpower shortage as well as save a great amount of cost.
2018	Wafer AVI	Applied to the inspection after wafer cutting in wafer probe and packaging industry.

5.1.4 Long-term and Short-term Business Development Plan

(1) Short-term Business Development Plan

A.Marketing Strategy

Provide the sales program of one-stop shop inspection for the whole factory to meet customers' needs in one-stop shopping and single window service.

Strengthen and enhance the sales system in China, Korea, Japan, Southeast Asia, and the US.

Continue to improve the quality and customer service, and maintain the user groups.

B.R&D Strategy

Enhance the cooperation with component suppliers and customers to actively develop high-end mechanical vision products.

Let R&D personnel engaged with the market more in order to develop the system that meets the market's needs.

Modularize software and hardware design to accelerate the development of new systems for other industries.

C.Production Strategy

Improve manufacturing efficiency and production technology to reduce production hours while enhance production quality.

Closely connect production schedule, business requirements, and the purchase time of key components to reduce inventory and manage the delivery date of order.

D. Finance Strategy

Implement performance management and strengthen finance management to enhance the capability in risk management.

Fully push the company's entry into a capital market in hopes of establishing a comprehensive funding channel to make a healthy financial structure and setup the idea of sustainable management, and then make profit to share with the society.

The short-term financial plan is made based on the mid-term and long-term capital demand plan and the principle of safety and stability.

E. The Management

Enhance ERP as well as computerize and automate the operations flow from design, receiving order, production, shipment, inventory, to finance to improve management and operation efficiency.

Provide training and assessment to the personnel in R&D, production, sales, and management to cultivate the talents and human resource in the Company and keep on driving innovation and enhancing the overall competitiveness.

Keep expanding our knowledge management system by establishing the database of successful experiences in the Company for newcomers to efficiently connect with the system operation and motivate new successful experiences.

(2) Long-term Business Development Plan

A. Marketing Strategy

Increase the integration of products and services, expand the scale of operations, and provide customers with various solutions of mechanical vision system for their equipment. This year's new operational goal is to promote and develop the needs of wafer probe and packaging in semiconductor industry.

Enhance the production and marketing system domestically and internationally to provide customers with real-time and appropriate service and technical support.

Seek strategic alliance to speed up gaining the market share and expanding the gap between us and our competitors.

B. R&D Strategy

Expand the communication and cooperation with domestic and international research or academic institutes to enhance the vision of R&D personnel as well as introduce new ideas and technologies.

Work closely with key component suppliers to develop new systems with the latest technology.

Make good use of "Coopetition" (Competition and Cooperation) to enhance the level of research and development.

C. Production Strategy

Assist outsourcing system in the setup of quality management system to improve on-time delivery and effective production.

D. Finance Strategy

Build a close relationship with financial institution to control financial market dynamics and enhance financial performance.

Expand the Company's operating scale and raising funds for medium and long-term to develop our strength in long term.

E. The Management

Cultivate outstanding talents and build a corporate culture of professionalism, service and partnership.

Adhere to the concept of sustainable management, strengthen corporate governance and value social responsibility.

5.2 Overview of Market and Sales

5.2.1 Market Analysis

(1) Sales area of main products (services): Sales percentage of inspection products for PCB industry by market is as listed in the table below:

Region/Year		Year 2017		Year 2018	
		Amount	%	Amount	%
Export	China	865,380	61%	1,370,904	44%
	Others	117,840	8%	207,103	7%
	Sub-total	983,220	69%	1,578,007	51%
Domestic Sales		437,668	31%	1,533,869	49%
TOTAL		1,420,888	100%	3,111,876	100%

(2) Market share

The company's key business is to manufacture, research and develop, and sell machine vision inspection and measuring system. Our products include the measuring and inspection series for the manufacturing process of PCB drilling and routing, PCB wiring inspection series, IC Substrate, HDI & FPCB Inspection Series and AFI series, with the focus on the inspection and measuring series for bare board. Part of the products such as Express 2mil AOI (output 1000 units/hr) and LasercVia AOIM, and AFI for rigid-flex PCB have the leading market share in Taiwan and mainland China. In addition, the other products such as ArtWork AOI and 2D AOI also have the market at certain level. However, since the statistics for PCB inspection and measuring system is not available, the market share cannot be compared.

(3) Future market supply/demand and growth

Printed Circuit Board (PCB), the basic and key component for all products in electronic industry, is the base plate used to connect electrical components that allows the various electrical components to function by the tracks formed on the circuit board. While PCB products are moving towards being high-end and compact that cannot be inspected by naked eyes, and some contact electronics test cannot be done due to thin wires, therefore, the demand in precision measuring or inspection system will be rising. In addition, since there is the problem of manpower shortage due to the getting higher labor cost, it is expected that machine will soon replace labor for PCB products inspection. In Taiwan, it is another situation. Since the PCB market is gradually recovering quarter by quarter, Taiwanese PCB manufacturers have kept expanding the scale and developing the supply chain for the primary system manufacturers which should drive the demand in PCB inspection system.

The Company has expanded the application of 2D/3D inspection technology that has been accumulate for more than 20 years in PCB industry to other microelectronic industry such as wafer probing and packaging and COF industry, to expand the range of industries that the product can be applied to. On the other hand, we have also introduced AI deep learning system to reduce workforce while expand the market scale.

(4) Strength for competition

A. The Strong R&D Team

MACHVISION Inc. is a company specializing in Machine Vision inspection and measuring system and having the technology of integrating optical imaging system, image processing, precision machinery, and motion control. With the accumulated integrated technologies in optics, mechanic, electricity and software, our R&D team had planned for various professional training courses as well as the setup of knowledge management system to enhance the professionalism of our R&D staffs for providing new products with more precise and fast visual inspection system in the market to cope with the changing environment. This has combined theory with practical application which allowed our technology development so far to be ahead of other domestic competitors.

B. Providing a Comprehensive Range of Products

The comprehensive range of products developed by the Company for PCB/IC Packaging/COF industry does not only meet customers' needs, also the quality of our products are better than the exported ones. Our diversified measuring and inspection equipment, which have a good reputation in the marketplace, can provide a total solution in measuring and inspection for the whole customer's factory and can have bundling to enhance competitiveness. In addition, we offer optional mid and high level models for many product series that can cover the individual needs of different customers and furthermore enhance the Company's market share.

C.Timely local after-sales service and professional maintenance capability

The developing process of machine vision system has to be worked on closely with the customer and be tested for a long time. In addition, the customers often want to work with suppliers locally. The output value of PCB in Asia is almost over 80% of the global output value; in addition, not only 90% of HDI products are manufactured in Asia, the primary manufacturing base of semiconductor is also in Asia. The Company has branch offices in Taiwan and China which allow us the regional advantage of providing convenient and comprehensive maintenance service and technical support. Therefore, customers can have their problems be resolved immediately or have our cooperation on properly modifying software or hardware to fast respond to the market needs and enhance the functions and competitiveness of products for gaining trust from their customers.

In addition, the Company has dedicated customer service training system that can facilitate customers' user training which is helpful for customers to be familiar with the safe operating of our precision equipment and furthermore gaining the trust of customers in the Company.

D. ***Having the leading clients in terms of channel***

The Company provides various measuring and inspection systems for different PCB processes. The number of our clients is more than a hundred and their expertise areas range from PCB whole manufacturing process and single manufacturing process, equipment manufacturers, to raw materials suppliers. Presently, all of the top 10 global PCB manufacturers are included in the Company's clients list. On the list, it also includes the top PCB manufacturers such as UNIMICRON, Nanya, Chin Poon, Tripod Technology, ASE Group, and Gold Circuit Electronics from Taiwan, Foxconn Group, Pulin Group, Shantou Chaosheng, Founder Group, Shennan and Kinwong from China, Kingboard Holdings Limited from Hong Kong, Samsung and LG from Korea, as well as the top two manufacturers from Japan, Samina from the US. Among the top 100 PCB manufacturers, around 80% are using our products, which is helpful for the Company's new launches for getting the point of market entry. For a long time, the Company has been building the word of mouth and expanding our business to the global market that made us much more competitive in the industry.

(5) Positive and negative factors for developing vision and the preventive measures

A. Positive Factors

(A) The rising demand in inspection

As the increasing demands in upstream production equipment driven by both the global trend of developing compact devices in electronic information and communication industry and the sound information industry frame in Taiwan, as well as the expanding of global laptop and consumer electronic products, there are a lot of opportunities of application in electronic industry. The Company has been devoting in the development of PCB/semiconductor visual inspection and measuring system and has delivered the inspection systems with excellent functions and quality which made us able to control the market trend by proactive marketing.

(B) An industry with high entry barriers

Since MV inspection and measuring system can only been completed by integrating the technologies of optical imaging, image processing, precision machinery, and motion control, the experts in these fields are required. In addition, because the cooperation from all users is also critical, there are not many manufacturers who can succeed in the field.

(C) Self-owned developing team

The Company has successfully developed around tens of innovative products with patents domestically or abroad, and has successfully gotten certified by many world-class manufacturers. In addition, there are still clients exploring proactively for the opportunity of cooperating in the development of related visual inspection system. At the same time, we continue to invest in developing new technologies to keep our technologies ahead of others.

(D) Increasing demand in automatic machines due to the rising wage in mainland China

As the labor cost of wage, fringe benefit, and social insurance is increasing in China's electronics manufacturing services, the demand in adapting automatic machine for production lines is also rising. It is the same situation in PCB industry for being willing to adapt AOI system, and since the Company has developed total solution with automation to help on more cost saving, the trend is favorable for the Company's future development.

(E) The Company is having good operation and financial health

Since being funded in 1998, the Company has successively developed various visual measurement and inspection systems. Our products are widely recognized by major domestic and foreign manufacturers and that allowed us to maintain good revenue and profit. The Company is profitable ever year since its establishment and has never used aggressive financial operation. Therefore, with our good operation and financial health, we do believe tht we are able to fully devote on R&D and get the insight of market trend for launching new products.

B. Negative Factors

(A) The critical parts such as Camera, CCD, video capture car and Lens still rely on the exportation

<u>Preventive measures</u>:

Maintain a good relationship with suppliers and do not count on single supplier for procurement. In addition, leave some room for flexibility during the designing of the products to allow the parts with different brands suitable for use in our developed systems.

(B) Most of the products for quality checks are random checks and the sales volume is not high

<u>Preventive measures</u>:

Develop full inspection system with high demand such as wiring inspection for inner and outer layers and AFI; in addition, promote the bundle sales with niche products to facilitate the trade-off between sales revenue and profitability.

(C)Limited application of existing product lines

<u>Preventive measures</u>:

With existing successful MV technology, modularized design and management, we can get into new application or industry quickly to increase the adaption in different industries such as probing and packaging industry, and furthermore expand the market of product selling.

5.2.2 Critical functions and manufacturing process of the major products

(1) Functions of the major products

A. The measuring and inspection series for the manufacturing process of PCB drilling and routing:

a. Express Hole-AOI: as the trend of PCB fine line, the drilled hole will be getting smaller (pore size under 100um) and there shall be more holes drilled (500 thousand holes/piece), hence the precision of the drilled hole is getting more important. By using Express Hole-AOI, the precision can be up to +/- 5 um, and the measuring for a piece of board with 300 thousand holes can be completed in 20 seconds that can not only enhance the yield of drilling process, but also can monitor the output quality of a drilling machine on the production line as well as reduce the obsolescent and maintenance cost.

b. All-purpose Dimensional Measuring System: measuring the device under test mainly by non-contact way to automatically measure the angle, coordinates, distance, dimension of a two dimensional object such as point, line, circle, and arc. That can be applied widely to the size measuring of profiled board, the dilatation of inner layer and film, and the various quality inspection report. In addition to save manpower, it can also help on obtaining more precise measuring results and feedback to the production line for continual improvement and enhancing the capability of manufacturing process.

B. PCB Wiring Inspection Series:

a. Film AOI system: films are the critical basis for producing PCB wiring while any of the continuity & insulation, indenting, bump, splotch on the film shall cause a bad inner and outer layer circuit board or make it discarded. A film AOI system can read the original design data of the wiring on a film as the basis for comparison to inspect any defects and reduce the false alarm rate.

b. Line gauge: measuring line width can get the quality level on how does etching result control the conducting lines. The traditional way of measuring by naked eyes with microscopic magnifier does not only have the problem of bad reproducibility, but due to the trend of fine lines, measuring by naked eyes can no longer meet the requirement. LineGage has the imaging mechanism with patent that can show the image of fine lines clearly; when working together with the image processing technology of sub-pixel and linear regression, the precision accuracy of measuring can reach 1 um.

c. Wiring inspection for inner and outer layers:

Multi layered board of PCB has 6, 8, or 10 layers, and even up to more than 30 layers for achieving the requirement of electronic products in being small and compact. However, the lines on each layer have to be scanned and inspected to avoid spur, indenting, and continuity & insulation, as well as to enhance the yield of drilling process and reduce the loss of obsolescent. Right now, it can also help on enhancing the production rate and even reach unmanned high-speed production with the add-on of automation.

C. HDI and IC Substrate Inspection Series:

a. LaserVia-AOIM: due to the requirement of mobile phone PCB and IC substrate in being small and compact, laser drilling has become an important production process. LaserVia-AOIM can inspect if the laser power is weak or over and if there is residual (、殘焦.. 註：原文寫錯字，應該是殘膠) or shift, to enhance the processing capability of engineering unit and prevent from the bad output of production unit.

b. 3D Profiler: in order to ensure the reliability of products, it is required to have copper-filling plating after laser drilling. However, it would be time consuming and inaccurate to inspect hundreds of thousands of holes on the board and get the hole with the denting up to 5 um. The inspection for copper-filling plating utilizes the most advanced 3D measuring technology that can measure the denting level of each hole for 1 million holes in 3 minutes, a revolutionary breakthrough for the filling in copper electroplating.

c. Solid Measuring Viewer system: high-end PCB has to be measured on its 3D data such as line thickness, solder height, or hole depth. The traditional measuring way may cause destruction and time consuming if it adopts slicing; therefore, it can protect device under test while save time by adopting optical measurement 3D solution.

D. AFI Series:

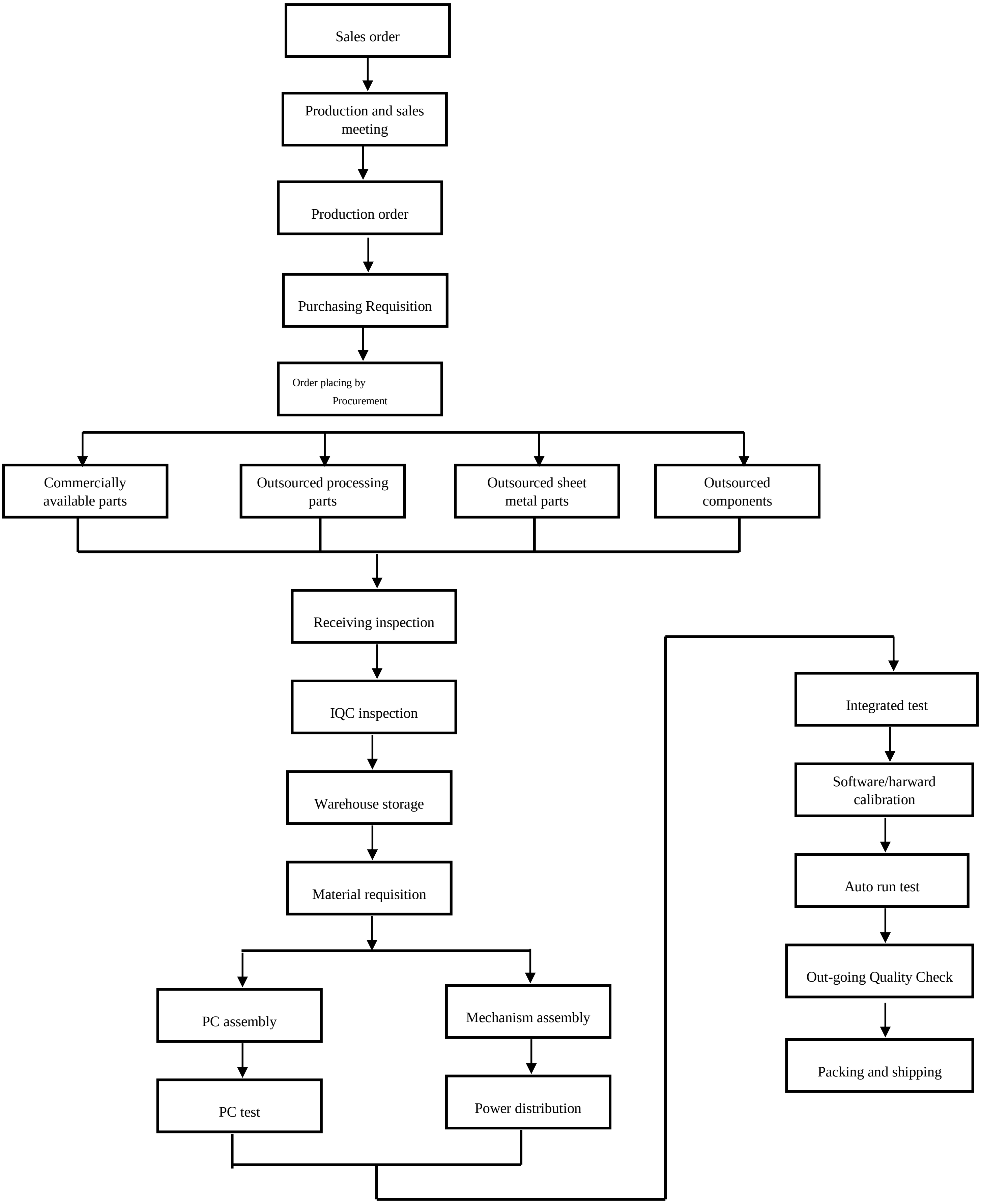
AFI series can be applied to various automatic final inspecting systems including multi layered board, HDI board, IC substrate, FPCB, assembled FPCB, wafer and COF. The series can also add AI capability to the system.

(2) The manufacturing process

A. The Company's products are mainly modular assembly that can be categorized to the modules of mechanism, electric control, optics, and software system.

B.Each module is assembled and quality controlled based on assembly operation standards and test specification.

C. The assembled product will be going through a 72-hour function and system software test by the quality control team to ensure the quality of the shipment.


Sales order
Production and sales meeting
Production order
Purchasing Requisition
Order placing by Procurement
Commercially available parts
Outsourced processing parts
Outsourced sheet metal parts
Outsourced components
Receiving inspection
IQC inspection
Warehouse storage
Material requisition
PC assembly
PC test
Mechanism assembly
Power distribution
Integrated test
Software/harward calibration
Auto run test
Out-going Quality Check
Packing and shipping

5.2.3 Overview of the Primary Raw Materials Supply:

Item	Main materials	Supply condition
1	Optics and photoelectric component	More than three suppliers with good supplying condition
2	Transmission component	More than two suppliers with stable supplying condition
3	Electrical machine component	Adequate supply with stable delivery date

5.2.4 The name of the customer who has accounted for more than 10% of the total procurement (sales) of goods in any one of the latest two years and its procurement (sales) amount and percentage with variation explained:

1. The customer who has accounted for more than 10% of the total procurement of goods in any one of the latest two years

Unit: NT$1,000

	2017				2018				2019 as of March 31			
Item	Name	Total Amount	Net purchase ratio to the whole year〔%〕	Relationship with the issuer	Name	Total Amount	Net purchase ratio to the whole year〔%〕	Relationship with the issuer	Name	Total Amount	Net purchase ratio to the year as of the previous quarter〔%〕	Relationship with the issuer
1	Manufacturer A	40,489	9.69	-	Manufacturer A	84,401	10.51	-	Manufacturer B	28,167	13.25	-
2				-	Manufacturer B	82,511	10.27	-	Manufacturer C	21,452	10.09	-
3				-				-				-
	Other	377,296	90.31		Other	636,387	79.22		Other	162,940	76.66	
	Net purchase	417,785	100.00		Net purchase	803,299	100.00		Net purchase	212,559	100.00	

Explanation for the variation: there are a number of high-end machines launched in 2019, hence lots of procurement for the high-end computers by Manufacturer B and the increased procurement amount.

The products supplied by Manufacturer C can replace the mid-end and low-end goods supplied by Manufacturer A; therefore, the procurement amount from Manufacturer C increased while that from Manufacturer A reduced.

2. The customer who has accounted for more than 10% of the total sales of goods in any one of the latest two years

Unit: NT$1,000

	2017				2018				2019 as of March 31			
Item	Name	Total Amount	Net Sales ratio to the whole year 〔%〕	Relationship with the issuer	Name	Total Amount	Net Sales ratio to the whole year 〔%〕	Relationship with the issuer	Name	Total Amount	Net Sales ratio to the year as of the previous quarter〔%〕	Relationship with the issuer
1	Company A	202,532	14.25	-	Company B	794,426	25.53	-	Company C	267,400	39.86	-
2									Company D	111,882	16.68	-
3												
4												
5												
	Other	1,218,356	85.75		Other	2,317,450	74.47		Other	291,490	43.46	
	Net Sales	1,420,888	100.00		Net Sales	3,111,876	100.00		Net Sales	670,772	100.00	

Explanation for the variation: the Company's products are sold domestically or abroad while Company C and Company D are the customers who have long-term relationship with us; since they have the needs of procuring equipment in the first quarter of 2019, hence the procurement to the Company increasing and the rising sales amount over 10%.

(12) Volume and value of production over the past two years:

Unit: NT$1,000/unit

Volume and value of production / Year / Major commodity	2017			2018		
	Value	Quantity	Output value	Value	Quantity	Output value
Inspection series for FPCB	218	208	607,277	234	230	1,594,896
In-line wiring inspection series	81	76	455,395	31	30	463,957
Semiconductor series	8	6	73,332	23	22	444,481
Other inspection series	210	194	444,465	126	124	626,070
TOTAL	517	484	1,580,469	414	406	3,129,404

Note: Production capacity/quantity is calculated based on man-hour

(六)Sales volume and value over the past two years:

Unit: NT$1,000/unit

Sales quantity and value / Year / Major commodity	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Inspection series for FPCB	39	186,188	197	502,838	114	889,418	109	656,938
In-line wiring inspection series	4	28,900	24	138,877	3	24,650	26	423,842
Semiconductor series	4	48,888	0	0	18	367,369	3	56,908
93 Other inspection series	74	146,020	118	293,863	27	258,534	93	347,340
Service Income	-	27,672	-	47,642	-	44,174	-	42,703
TOTAL	121	437,668	339	983,220	162	1,584,145	231	1,527,731

5.3 Number of employee, the average years of seniority, the average age and distribution of academic qualifications over the past two years and as of the printing date of the annual report: (Evoun)更新 2/28 至 3/31?

Item \ Year		2017	2018	Current year as of Feb. 28, 2019
No. of Employee	Direct Labor	27	50	50
	Indirect Labor	137	176	174
	R&D staff	64	80	82
	Total	224	306	306
Average age		33.65	35.24	34.39
Average seniority (years)		4.21	4.09	3.87
Distribution of Academic Qualifications	PhD	1.34%	1.31%	1.63%
	Graduate	26.79%	25.81%	26.47%
	Undergraduate	63.39%	61.44%	43.46%
	Senior high school	8.48%	11.44%	3.92%
	Below senior high school	-	-	-

5.4 Environmental protection expenditure

5.4.1 Pursuant to the laws and regulations, the setup license that shall be applied for pollution control facility or the pollutant emission permit or Pollution Control Fee that shall be paid or the department or personnel that shall be setup for environment protection and their status update:

1. The production model of the Company belongs to assembly and system integration that will not generate contaminated waste liquid and waste water from the manufacturing process, so the regulation is not applicable.
2. The packing materials such as wooden case and wasted pallets for the Company's products are processed and recycled by qualified waste treatment plant.

5.4.2 The investment in the main equipment for environmental pollution control and their use and possible benefits: nil.

5.4.3 The process of improving environmental pollution by the Company, and if there is any pollution incident as well as its handling details over the past two years and as of the printing date of the annual report: nil.

5.4.4 The amount of the loss and punishment caused by polluting the environment in the latest two years and as of the printing date of the annual report; also disclose the future preventive measures and possible expenditure: nil.

5.4.5 The impact of current pollution status and its improvement on the Company's earnings, competitive position, and capital expenditure, as well as the estimated major environmental protection capital expenditure in the latest two years: nil.

5.5 Labor relation

5.5.1 The Company's various employee benefits, advanced study, training, retirement system and their implementation, as well as the status of collective bargaining and the protection of workers' rights:

1. The Company values the family well-being and health of our employees and we do not encourage working overtime. In case of the overtime work, we would encourage the employee to get in earlier while if staying later is necessary, we also reminder them not to exceed the overtime limit and impact the next day's work, in hopes of helping them keep a regular daily routine to stay healthy and furthermore get the balance between work and family.
2. Employee benefits program
   (1) All of the Company's employees enjoy labor insurance, national health insurance, group insurance, and major casualty insurance by the employer.
   (2) Employees will receive year-end bonus at the end of the Company's business year.
   (3) Pursuant to the law, the Company has reserved welfare funds to establish Employee Welfare Committee for conducting various employee welfare activities such as holiday bonus, birthday celebration, birthday gift, wedding and funeral subsidy, and social activities.
   (4) Provide subsidy for annually domestic or foreign travel, allowance for regular health check-ups and flu vaccine.
   (5) Provide the education subsidy program for employee's children aged 0 through 18 years, which includes the free nursery school for kids aged 3 through 6 years.
   (6) Family and child parent education course.
   (7) Set up free cafe to reduce work stress.
3. Advanced study, training and development
   (1) Employees are considered as the most important assets in the Company. Therefore, we provide necessary and appropriate training and development

courses for employees to make them contribute by their strength and competent, continue to complete the designated tasks and achieve the goals while keep on creating the core competence of the Company.

(2) Training and people development system

We provide the training courses based on competency to equip employees with the basic knowledge, skills and attitudes necessary for achieving business goals, which include:

a. New hire training: the training for new employees and the training for new managers.

b. Professional training: sales, production, R&D, finance, procurement, administration, etc.

c. General education training: the Company's mission, corporate culture, the company's value, customer satisfaction and quality.

d. Direct labor training: the skill training of assembly station.

e. Project-oriented training: workshop for R&D project.

f. Self-development training: speech, seminar, reading circle, in-service training.

g. Pass the baton training: "Pass the baton" upward and downward training includes job responsibilities, key performance indicators, work attitude and mindset management.

(3) The implementation update of training:

The Company's training expense was TWD 706,287 in 2018. The types of training that have been conducted are listed in the following table:

Internal training:

Type	**Total hours (hrs)**	**Number of people**
New hire training	480H	60 people
Professional training	123.5H	102 people
General education training	2,030H	1015 people
Project-oriented training	487H	395 people

External training:

Type	**Total hours (hrs)**	**Number of people**
Professional training	471H	12 people
General education	0 H	0 people

training		
Direct labor training	0 H	0 people
Project-oriented training	224 H	8 people

4. The Company follows and stays compliant with the relevant laws and regulations to contribute 6% of employee's monthly salary for pension per month to the labor account for new employees and the original employees who choose to adopt the new pension regulations. On the other hand, for the original employees regardless of choosing to adopt the old or new pension regulations, the Company continues to reserve their seniority before transiting to the new regulations and contribute the appropriate amount of Retirement Preparation Funds calculated based on the pension payment standard in the original regulations of employee retirement. For the employees who are assigned by the organization to transfer to the affiliated enterprises, the seniority will be continually counted to provide employees with more job security and achieve the goal of talent circulation. While the pension in the subsidiary company abroad is Defined Contribution Plan, the various social security fund such as pension, medical, etc. shall be paid monthly per the regulations of local government.

5. Protection Measures for Working Environment and Employee Personal Safety

Item	Content
Access security	1. A strict monitoring system is setup for 24 hours. 2. There is the access control card reader setup at each entrance and exit of the Company. 3. Have the contracted security to maintain the safety of the plant during nighttime and holidays.
Maintenance and inspection of various equipment	1. There is the schedule setup for routine maintenance of various electromechanical or fire-fighting equipment per month, quarter, and year to ensure that the equipment keeps in the best condition all the time. 2. Pursuant to the regulations of Fire Act, the Company conduct the fire-fighting security inspection every year by a qualified outsourced fire inspection company. 3. The Company checks and maintains various equipment such as power system, air conditioners, fire-fighting facilities and hazard mechanical equipment on a periodic basis.

	4. Pursuant to the regulations of Labor Safety and Health Law, the Company outsources to a qualified testing company to conduct a biannual environment monitoring for us, which includes noise, lighting, CO_2 concentration, chemical substances concentration, etc.
Prevention measures and contingency plan for disasters	1. For disaster prevention, incident handling and notification of accident, the Company has developed the prevention measures and contingency plan, specifically defining the roles and tasks of the personnel at each level during the emergencies of incident, major incident, and general accident. 2. Establish a self-defense fire brigade that includes firefighting crew, notification crew, evacuation guidance crew, safety protection crew and rescue crew. 3. In order to maintain employee safety and health while implement safety and health management, the Company has carried out the operation of environmental protection and occupational safety and health.

6. Employee Code of Conduct
   The Company's Employee Manual has clearly conveyed the benefits and systems that have being continually stipulated in these years and based on the Company's culture of respect and caring to every employee. In the manual, it clearly states the code of conduct and the Company's expectation for all employees while the employees shall follow the law and based on ethical principles to maintain the Company's assets, interests and image. The manual is available on the Company's intranet for prapoganda and employee's reading.
7. The Labor Management Agreement and the measures of protecting employee rights and interests
   Since its establishment, the Company has adopted self-management with human interest, giving its colleagues full respect and care, and continually planning various employee benefits to pursue a perfect working environment. We have been calling the Labor-Management Consultation Meeting every year according to the regulations, allowing both labors and management teams fully communicate and discuss, hence a harmonious relationship between labor and management. There is no loss caused by labor dispute.

5.5.2 Explain if there is any loss caused by any labor disputes over the last two years and as of the printing date of the annual report, and disclose the potential estimated amount and the measures taking at present and in the future. If reasonable estimation is not available, please state the fact of not being able to reasonably estimate:

The Company adopts humanistic management based on our vision of becoming a "Happy Business", and we expect our colleagues can integrate into the corporate culture of "Service, Home, Elaboration, Innovation". Our labor-management relationship has been harmonious and all of the working rules follow the Labor Standards Act, hence no loss caused by any labor disputes.

5.6 Critical Contracts

Nature of the contract	The party	Start/End date of the contract	Main content	Restrictive covenants
Agency agreement	Company A	105/06/20~till now	Dealership in Taiwan and China	Nil
Agency agreement	Company B	105/07/01~ till now	Dealership in Taiwan, China, and Japan	Nil
Agency agreement	Company D	107/08/31~ till now	Dealership in Korea	Nil
Agency agreement	Company E	105/03/01~ till now	Dealership in Taiwan	Nil
Agency agreement	Company F	105/5/10~ till now	Dealership in Taiwan and China	Nil
Lease agreement	Hsinchu Science Park Bureau	2016/01/01~118/05/31	No.2-3, Industry East Road II, Hsinchu Science Park	Nil
Renovation Agreement	Company F	2018/08/01~till now	Glazing refurbishment project	Nil
Renovation Agreement	Company G	2018/10/02~ till now	Office construction project	Nil
Renovation Agreement	Company H	2018/10/15~ till now	Office construction project	Nil
Renovation Agreement	Company I	2018/07/26~ till now	Office renovation and design	Nil
Renovation Agreement	Company J	2018/03/20~2019/01/31	Glazing renovation design	Nil

6. Financial Overview

6.1、Condensed Balance Sheets and Statements of Income over the Past Fiver Years

(一)Condensed Balance Sheets

(1)Consolidated Sheets

Unit: NT$1,000

Item / Year		Financial statements over the past five years from 2014 to 2018: 2014	2015	2016	2017	2018	Financial statements for the year as of March 31, 2019
Current assents		957,972	996,325	1,161,091	1,658,583	3,109,382	3,376,616
Property, plant and equipment		227,060	223,660	215,700	213,862	238,607	247,271
Intangible assets		2,019	1,535	1,051	566	303	275
Other assets		37,111	35,195	32,531	47,391	123,755	207,995
Total assets		1,224,162	1,256,715	1,410,373	1,920,402	3,472,047	3,832,157
Current liabilities	Before Dist.	201,695	205,140	313,966	520,804	1,190,439	2,372,874
	After Dist.	356,235	358,529	492,921	946,886	2,340,861	-
Non-current Liabilities		7,692	7,919	8,753	8,757	10,277	73,551
Total liabilities	Before Dist.	209,387	213,059	322,719	529,561	1,200,716	2,446,425
	After Dist.	363,927	366,448	501,674	955,643	2,351,138	-
Equity attributable to owners of the parent		1,014,775	1,017,330	1,057,681	1,340,977	2,210,152	1,321,847
Capital		26,082	426,082	426,082	426,082	426,082	426,082
Capital reserve		329,067	195,831	59,570	59,489	59,492	59,512
Retained earnings	Before Dist.	258,315	394,802	574,070	857,913	1,727,535	838,512
	After Dist.	103,775	241,413	395,115	431,831	577,113	-
Other equity interest		1,311	615	(2,041)	(2,507)	(2,957)	(2,259)
Treasury Stock		-	-	-	-	-	-
Non-controlling interest		-	26,326	29,973	49,864	61,179	63,885

Total Equity	Before Dist.	1,014,775	1,043,656	1,087,654	1,390,841	2,271,331	1,385,732
	After Dist.	860,235	890,267	908,699	964,759	1,120,909	-

Note 1: The Company's financial statements have been audited by independent auditors over the past five years from 2014 to 2018.

Note 2: The financial statement of the 1st quarter in 2019 has been audited by independent auditor.

(2) Unconsolidated Statements

Unit: NT$1,000

年度 項目		Financial statements over the past five years				
		2014	2015	2016	2017	2018
Current assents		912,951	917,683	1,104,330	1,556,652	2,926,107
Property, plant and equipment		204,829	202,852	197,273	191,327	215,585
Intangible assets		2,019	1,535	1,051	566	303
Other assets		117,207	115,751	117,267	136,051	266,696
Total assets		1,237,006	1,237,821	1,419,921	1,884,596	3,408,691
Current liabilities	Before Dist.	214,539	212,572	353,487	534,862	1,188,262
	After Dist.	369,079	365,961	532,442	960,944	2,338,684
Non-current Liabilities		7,692	7,919	8,753	8,757	10,277
Total liabilities	Before Dist.	222,231	220,491	362,240	543,619	1,198,539
	After Dist.	376,771	373,880	541,195	969,701	2,348,961
Equity attributable to owners of the parent		1,014,775	1,017,330	1,057,681	1,340,977	2,210,152
Capital		426,082	426,082	426,082	426,082	426,082
Capital reserve		329,067	195,831	59,570	59,489	59,492
Retained earnings	Before Dist.	258,315	394,802	574,070	857,913	1,727,535
	After Dist.	103,775	241,413	395,115	431,831	577,113
Other equity interest		1,311	615	(2,041)	(2,507)	(2,957)
Treasury Stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before Dist.	1,014,775	1,017,330	1,057,681	1,340,977	2,210,152
	After Dist.	860,235	863,941	878,726	914,895	1,059,730

Note 1: The Company's financial statements have been audited by independent auditors over the past five years from 2014 to 2018.

(二)Condensed Consolidated Income Statements

(1)Consolidated Statements

Unit: NT$1,000

Year / Item	Financial statements over the past five years					Financial statements for the year as of March 31, 2019
	2014	2015	2016	2017	2018	
Operating revenue	654,194	610,127	809,631	1,420,888	3,111,876	670,772
Gross profit	362,758	372,812	499,269	909,603	2,166,682	455,435
Operating income(loss)	174,881	182,013	246,184	566,258	1,584,152	316,783
Non-operating income and expenses	21,970	12,509	1,002	(19,468)	38,072	11,197
Profit before income tax	196,851	194,522	247,186	546,790	1,622,224	327,980
Profit for the year from Continuing Operation	171,892	154,568	200,747	461,424	1,307,717	264,105
Loss on discontinued operations	0	0	0	0	0	0
Net profit (loss) for the period	171,892	154,568	200,747	461,424	1,307,717	264,105
Other Consolidated Income (Net Income)	(150)	(1,527)	(5,130)	(412)	(1,148)	698
Total Consolidated Net Income	171,742	153,041	195,617	461,012	1,306,569	264,803
Net Income Attributed to Stockholders of the Company	171,892	158,622	198,785	462,744	1,296,402	261,399
Net Income Attributed to Non-controlling Interest	0	(4,054)	1,962	(1,320)	11,315	2,706

Consolidated Net Income Attributed to Stockholders of the Company	171,742	157,095	193,655	462,332	1,295,254	262,097
Consolidated Net Income Attributed to Non-controlling Interest	0	(4,054)	1,962	(1,320)	11,315	2,706
Earnings per share	4.03	3.72	4.67	10.86	30.43	6.13

Note 1: The Company's financial statements have been audited by independent auditors over the past five years from 2014 to 2018.

Note 2: The financial statement of the 1st quarter in 2019 has been audited by independent auditor.

(2) Unconsolidated Statements

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Year / Item	Financial statements over the past five years				
	2014	2015	2016	2017	2018
Operating revenue	625,187	566,119	758,491	1,369,792	2,995,779
Gross profit	351,635	346,770	448,450	857,965	2,074,285
Operating income(loss)	179,833	179,418	236,054	569,939	1,567,935
Non-operating income and expenses	16,611	18,815	8,375	(22,632)	38,180
Profit before income tax	196,444	198,233	244,429	547,307	1,606,115
Profit for the year from Continuing Operation	171,892	158,622	198,785	462,744	1,296,402
Loss on discontinued operations	0	0	0	0	0
Net Income (Loss)	171,892	158,622	198,785	462,744	1,296,402
Other Consolidated Income (Net Income)	(150)	(1,527)	(5,130)	(412)	(1,148)
Total Consolidated Net Income	171,742	157,095	193,655	462,332	1,295,254
Net Income Attributed to Stockholders of the Company	171,892	158,622	198,785	462,744	1,296,402
Net Income Attributed to Non-controlling Interest	0	0	0	0	0

Consolidated Net Income Attributed to Stockholders of the Company	171,742	157,095	193,655	462,332	1,295,254
Consolidated Net Income Attributed to Non-controlling Interest	0	0	0	0	0
Earnings per share	4.03	3.72	4.67	10.86	30.43

Note 1: The Company’s financial statements have been audited by independent auditors over the past five years from 2014 to 2018.

(三) Auditors' Opinions from 2014 to 2018:

Year	Accounting firm	CPA	Audit Opinion
2014	KPMG	黃柏淑 林秀玉	An Unqualified Opinion
2015	KPMG	俞安恬 林秀玉	An Unqualified Opinion
2016	KPMG	黃柏淑 俞安恬	An Unqualified Opinion
2017	KPMG	黃柏淑 俞安恬	An Unqualified Opinion
2018	KPMG	黃柏淑 俞安恬	An Unqualified Opinion

6.2 Financial analysis over the last 5 years

(一)Financial analysis- International Financial Reporting Standards-Consolidated Financial Statements

Year（Note 1） Items（Note 3）		Financial analysis over the last 5 years 2014	2015	2016	2017	2018	Current year as of March 31, 2019
Capital structure (%)	Debts ratio	17.10	16.95	22.88	27.58	34.58	63.84
	Long term funds to property, plant and equipment	450.31	470.17	508.30	654.44	956.22	590.16
Liquidity analysis%	Current ratio	474.96	485.68	369.81	318.47	261.20	142.30
	Quick ratio	410.87	424.44	315.79	280.98	240.20	129.43
	Interest guarantee(times)	-	-	-	-	-	1356.29
Operating performance analysis	Average collection turnover(times)	2.41	2.23	2.52	2.61	3.27	2.13
	Average collection days	152	164	145	140	112	172
	Average inventory turnover (times)	2.38	1.94	2.25	2.99	4.50	3.35
	Average payables turnover(times)	4.26	3.55	3.22	3.20	3.73	2.63
	Average inventory turnover days	153	188	162	122	98	139
	Property, plant and equipment turnover (time)	3.30	2.71	3.69	6.62	13.76	11.04
	Total assets turnover (time)	0.53	0.49	0.61	0.85	1.15	0.73
Retrun on investment analysis	Return on total assets（%）	13.89	12.46	15.05	27.71	48.50	28.93
	Return on total stockholders' equity（%）	16.88	15.02	18.84	37.23	71.42	57.77
	Pre-tax income to capital (%)(Note 7)	46.20	45.65	58.01	128.33	380.73	307.90
	Net income to sales（%）	26.28	25.33	24.79	32.47	42.02	39.37
	Earning per share (NT$)	4.03	3.72	4.67	10.86	30.43	6.13
Cash flow	Cash flow ratio（%）	103.87	85.23	66.25	53.80	123.81	11.39
	Cash flow adequacy ratio（%）	91.22	92.44	93.02	96.15	181.22	96.60

	Cash flow reinvestment ratio（%）	2.95	1.90	4.86	7.05	46.75	5.05
Leverage	Operating leverage	3.21	2.84	2.78	2.25	1.81	1.95
	Fiancial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Please indicate the reasons for the changes of various financial ratios over the past two years. (should the change be less than 20%, the analysis is not required)

1. Debts ratio increase: since the sales grow for the year and it is estimated that there will be the demands for the production in future, we increased procurement amount that leads to the higher accounts payable than last year, hence the increase of debts ratio.
2. Long term funds to property, plant and equipment increase: since the sales of current period is higher compared with last year while property, plant and equipment do not have major changes.
3. Average collection turnover increases and average collection days reduces: as the increase in the average account receiveable for the year is less than the increase in sales, resulting in the increase in the average collection turnover and decrease in the average collection days.
4. Average inventory turnover increases and average inventory turnover days decreases: as the increase in the net average inventory for the year is less than the increase in the cost of sale, resulting in the increase in the average inventory turnover and the decrease in the average inventory turnover days.
5. Total assets turnover and return on total assets increase: led by the growth of both sales and net income.
6. Return on total stockholders' equaity and Pre-tax income to capital increase: as the sale grows, resulting in the higher pre- or post-tax income compared with last year, hence the increase in the return on total stockholders' equity and pre-tax income to capital.
7. Net income to sales and earning per share increase: it is due to the significant growth in sales and the increase in cost and expense is less.
8. Cash flow ratio and Cash flow adequacy ratio increase: it is due to the higher cash flows from operating activities in recent years.
9. Cash flow reinvestment ratio increase: it is due to the higher cash flows from operating activities in this year.
10. Operating leverage decrease: due to the change in sales minus variable cost is less than the increase in

(一)Financial Analysis - International Financial Reporting Standards - Unconsolidated Financial Statements

Items (Note 3)		Year (Note 1) Financial analysis over the last 5 years 2014	2015	2016	2017	2018
Capital structure (%)	Debts ratio	17.97	17.81	25.51	28.85	35.16
	Long term funds to property, plant and equipment	499.18	505.42	540.59	705.46	1030
Liquidity analysis%	Current ratio	425.54	431.70	312.41	291.04	246.25
	Quick ratio	369.86	379.18	267.00	257.25	226.53
	Interest guarantee(times)	-	-	-	-	-
Operating performance analysis	Average collection turnover(times)	2.37	2.17	2.76	2.76	3.51
	Average collection days	154	168	132	132	104
	Average inventory turnover (times)	2.37	1.94	2.40	3.16	4.60
	Average payables turnover(times)	4.00	3.38	3.29	3.22	3.79
	Average inventory turnover days	154	188	152	116	79
	Property, plant and equipment turnover (time)	3.56	2.78	3.79	7.05	14.72
	Total assets turnover (time)	0.51	0.46	0.53	0.83	1.13
Retrun on investment analysis	Return on total assets (%)	13.77	12.82	14.96	28.01	48.98
	Return on total stockholders' equaity (%)	16.88	15.61	19.16	38.58	73.01
	Pre-tax income to capital (%)(Note 7)	46.10	46.52	57.37	128.45	376.95
	Net income to sales (%)	27.49	28.02	26.21	33.78	43.27
	Earning per share (NT$)	4.03	3.72	4.67	10.86	30.43
Cash flow	Cash flow ratio (%)	85.80	93.83	68.18	47.27	122.73
	Cash flow adequacy ratio (%)	90.98	96.50	98.04	97.39	187
	Cash flow reinvestment ratio (%)	0.50	4.33	8.07	5.37	48.94

Leverage	Operating leverage	3.09	2.79	2.81	2.20	1.78
	Fiancial leverage	1.00	1.00	1.00	1.00	1.00

Please indicate the reasons for the changes of various financial ratios over the past two years. (should the change be less than 20%, the analysis is not required)

1. Debts ratio increase: since the sales grow for the year and it is estimated that there will be the demands for the production in future, we increased procurement amount that leads to the higher accounts payable than last year, hence the increase of debts ratio.
2. Long term funds to property, plant and equipment increase: since the sales of current period is higher compared with last year while property, plant and equipment do not have major changes.
3. Average collection turnover increases and average collection days reduces: as the increase in the average account receiveable for the year is less than the increase in sales, resulting in the increase in the average collection turnover and decrease in the average collection days.
4. Average collection turnover increase and average collection days decrease: as the increase in the average account receiveable for the year is less than the increase in sales, resulting in the increase in the average collection turnover and decrease in the average collection days.
5. Total assets turnover and return on total assets increase: led by the growth of both sales and net income.
6. Pre-tax income to capital and earning per share increase: it is due to the significant growth in sales and the increase in cost and expense is less.
7. Cash flow ratio and Cash flow adequacy ratio increase: it is due to the higher cash flows from operating activities in recent years.
8. 現金再投資比率增加：係因本期營業活動淨現金流量及發放現金股利皆較去年增加，但本期營業活動淨現金流量增加幅度小於發放現金股利增加幅度，致現金再投資比率減少。Cash flow reinvestment ratio increase: it is due to the increase in both the cash flows from operating activities and the distributed cash dividends but change of the former is less than that of the later, hence the decreased cash flow reinvestment.

Note 1: It shall be remarked if the year has not been audited by a CPA.

Note 2: Companies that are listed or whose shares have been traded over the counter markets shall include the financial statements for the year as of the quarter before the printing date of the annual report.

Note 3: Glossary and calsulation shall be listed at the end of the annual report:

1. Capital Structure Analysis

   (1) Debt Ratio = Total Liabilities / Total Assets

   (2)Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipmen

2. Liquidity Analysis

   (1)Current Ratio = Current Assets / Current Liabilities

   (2)Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

   (3)Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Ferformance Analysis

(1) Account receivable turnover (including accounts receivable and notes receivable resulted from business
operation)=net sales/average balance of account receivable (including accounts receivable and notes
(2)Average Collection Days = 365 / Average Collection Turnover。
(3)Average Inventory Turnover = Cost of Sales / Average Inventory
(4) Account payable turnover (including accounts payable and notes payable resulted from business operation)=operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)
(5) Average days in sales=365/inventory turnover
(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipmen
(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis
(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
(2) Return on Equity = Net Income / Average Equity
(3) Profit ratio=net income/net sales。
(4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 4)

5. Cash Flow
(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note 5)

6. Leverage:
(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6)
(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: It shall be noted when calculating the above earning per share:
1. It shall be based on the weighted average number of ordinary shares instead of the number of issued-and-outstanding stocks at the end of the year.
2. If there is Capital Increased by Cash or treasury stock trading, the calculation of the weighted average number of shares shall be considered during the outstanding period.
3. If there is retained earning or capital surplus transferred to capital, when calculating the earnings per share of the previous years and the semiannual, the increased capital shall be retrospectively adjusted according to the proportion while it is not necessary to consider the issue period of the capital increase.
4. If the preferred stock is unconbertable cumulative preferred stock, the dividend for the year (whether or not it is distributed) shall be deducted from net income or add into net loss; if it is not cumulative and there is net income, dividend of the preferred stock shall be decucted from net income while it does not need to be adjusted if there is net loss.

Note 5: It shall be noted when analyze the cash flow:
1. Net Cash Provided by Operating Activities refers to the amount of net cash from operating activities in the Statements of Cash Flows.
2. Capital Expenditure refers to the cash amount of capital investment every year.
3. Inventory increase is only counted when the ending balance is greater than the opening balance. If the inventory is decreased at the end of the year, it is counted as zero.
4. Cash dividends include cash dividends for ordinary shares and preferred shares.
5. Gross Property, Plant and Equipment refers to the total amount of Property, Plant and Equipment before deducting the accumulated depreciation.

Note 6: The issuer should classify various operating costs and expenses into fixed and variable. If there is an estimation or subjective judgment involved, attention should be paid to its rationality and consistency.

Note 7: If the company's stock is not denominated or the denomination is not NT$10, the calculation of Return on total stockholders' equaity shall be changed to the calculation based on the equaity attributable to shareholders of the parent on the balance sheets.

6.3 Audit Commiottee's Review Report for the Financial Statements in Recent Years

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit Machvision's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Machvision Inc. Co., Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Machvision Inc. Co., Ltd., 2019 Regular Meeting of Shareholders

Audit Committee

Coordinator:

February 13, 2019

6.4 The consolidated financial statements of the parent and subsidiary companies audited by CPA for the recent years (Polly)

Representation Letter

The entities that are required to be included in the combined financial statements of Machvision Inc. Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Machvision Inc. Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Machvision Inc. Co., Ltd.

Chairman: Guang-Shiah Wang

Date: February 13, 2019

Independent Auditors' Report

To the Board of Directors of Machvision Inc. Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Machvision Inc. Co., Ltd. (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated blance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 for 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, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Please refer to notes 4(m) and 6(n) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Group’s finance or operating performance. The Group adopted IFRS 15 and the accuracy of the timing and amount of revenue recognition have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider it as one of our key audit matters.

How the matter was addressed in our audit:

Understanding and testing the effectiveness of the design of, and implementing the internal control of sales and collecting cycles; reviewing the revenue recognition of significant sales contracts to determine whether the key judgment, estimation, and accounting treatment are reasonable; understanding the type of products and the sales of machinery equipment of the top 10 customers; calculating the turnover days of sales and accounts receivable to ensure whether clients' credit terms are in accordance with the ratios, and analyzing the changes in the top 10 customers from the most recent period and prior year to determine if there were any abnormalities; selecting sales transaction from a certain period of time before and after the last shipping date, and verifying them with the vouchers to determine the accuracy of the timing whether there are any abnormalities; as well as understanding whether there is a significant subsequent sales returns.

2. Impairment of trade receivables

Please refer to notes 4(g) and 6(b) for disclosures related to impairment of trade receivables.

Description of key audit matter:

The notes, accounts and long-term accounts receivable constituted 34% of total consolidated assets of the Group as of December 31, 2018, and the impairment of notes, accounts and long term accounts receivable depends on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider them as one of our key audit matters.

How the matter was addressed in our audit:

Testing the effectiveness of control points relating to cash collection; obtaining the list of accounts receivable balance to send confirmations for selected samples; acquiring the Group’s computation of impairment loss rate to review its appropriateness; deriving the aging analysis of accounts receivables to verify the accuracy of aging periods by examining relevant documents of selected receivables; reviewing whether the recognition of provision for the impairment loss is based on the impairment loss rate; and evaluating whether the recognition of impairment on accounts receivable made by the management is reasonable.

3. Inventory measurement

Please refer to notes 4(h), 5 and 6(c) for disclosures related to inventory measurement.

Description of key audit matter:

The inventories of the Group are mainly optical inspection machinery equipment and their related parts. The products may be outdated or no longer meet the market demand due to the rapid changes in technology, the demand of related products and their prices may fiercely fluctuate, and the impairment of inventory depends on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider them as one of our key audit matters.

How the matter was addressed in our audit:

Assessing the accounting policy on inventory measurement to determine its reasonableness; reviewing the inventory aging documents and analyzing the changes to ensure that the process of inventory valuation is in conformity with the accounting policies; understanding and evaluating whether if the basis used for net realizable value is reasonable; selecting samples and verifying them to ensure they are consistent with the vouchers; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Other Matter

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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.

Auditors’ 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 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 the auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 and 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 of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Ann Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)
February 13, 2019

<u>Notes to Readers</u>

The accompanying consolidated financial statements are intended only to present the Consolidated financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,764,842	51	751,469	39
1151	Notes receivable (note 6(b))	18,379	1	2,953	-
1170	Accounts receivable, net (note 6(b))	1,076,197	31	708,948	37
130x	Inventories (note 6(c))	234,001	7	186,551	10
1410	Prepayments	8,785	-	3,256	-
1479	Other current assets	7,178	-	5,406	-
	Total current assets	3,109,382	90	1,658,583	86
	Non-current assets:				
1510	Financial assets at fair value through profit or loss—non-current (note 6(d))	9,644	-	-	-
1543	Financial assets carried at cost — non-current (note 6(e))	-	-	9,644	1
1600	Property, plant and equipment (note 6(f))	238,607	7	213,862	11
1780	Intangible assets (note 6(g))	303	-	566	-
1840	Deferred income tax assets (note 6(k))	25,686	1	13,730	1
1920	Refundable deposits	5,285	-	5,767	-
1932	Long-term receivables (notes 6(b))	80,951	2	16,064	1
1995	Other non current assets (note 8)	2,189	-	2,186	-
	Total non-current assets	362,665	10	261,819	14
	Total assets	**$ 3,472,047**	**100**	**1,920,402**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2130	Current contract liabilities (note 6(n))	$ 82,716	2	-	-
2150	Notes payable	1,358	-	524	-
2170	Accounts payable	318,692	9	185,895	10
2209	Other payables (note 6(p))	457,106	14	218,538	11
2230	Current tax liabilities	271,716	8	65,811	3
2250	Provisions — current (note 6(h))	45,353	1	20,188	1
2399	Other current liabilities	13,498	1	29,848	2
	Total current liabilities	1,190,439	35	520,804	27
	Non-Current liabilities:				
2570	Deferred income tax liabilities (note 6(k))	780	-	-	-
2640	Net defined benefit liabilities (note 6(j))	9,497	-	8,757	-
	Total liabilities	1,200,716	35	529,561	27
	Equity attributable to shareholders of the company (note 6(l)):				
3100	Ordinary shares	426,082	12	426,082	22
	Capital surplus:				
3211	Additional paid-in capital	59,485	2	59,485	3
3235	Changes in equities of subsidiaries	4	-	4	-
3280	Other capital surplus	3	-	-	-
		59,492	2	59,489	3
	Retained earnings:				
3310	Legal reserve	180,274	5	134,000	7
3320	Special reserve	2,507	-	2,041	-
3350	Unappropriated retained earnings	1,544,754	44	721,872	38
		1,727,535	49	857,913	45
	Other equity interest:				
3410	Foreign currency translation differences for foreign operations	(2,957)	-	(2,507)	-
	Total equity attributable to shareholders of the company	2,210,152	63	1,340,977	70
36xx	Non-controlling interests	61,179	2	49,864	3
	Total equity	2,271,331	65	1,390,841	73
	Total liabilities and equity	**$ 3,472,047**	**100**	**1,920,402**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(n) and (o))**	$ 3,111,876	100	1,420,888	100
5000	**Operating costs (notes 6(c), (f), (j), (p) and 7)**	945,194	30	511,285	36
5900	**Gross profit from operations**	2,166,682	70	909,603	64
6000	**Operating expenses (notes 6(b), (f), (j), (p) and 7):**				
6100	Selling expenses	242,446	8	134,973	9
6200	Administrative expenses	161,796	5	64,614	5
6300	Research and development expenses	169,439	6	143,758	10
6450	Expected credit losses for bad debt expense	8,849	-	-	-
	Total operating expenses	582,530	19	343,345	24
	Net operating income	1,584,152	51	566,258	40
7000	**Non-operating income and expenses (note 6(q)):**				
7010	Other income	8,788	-	5,556	-
7020	Other gains and losses	29,284	1	(25,024)	(2)
	Total non-operating income and expenses	38,072	1	(19,468)	(2)
7900	**Profit from continuing operations before income tax**	1,622,224	52	546,790	38
7950	**Less: income tax expenses (note 6(k))**	314,507	10	85,366	6
	Profit	1,307,717	42	461,424	32
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of the defined benefit plans	(698)	-	54	-
8349	Income tax expense relating to items that may be reclassified to profit or loss	-	-	-	-
		(698)	-	54	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Financial statements translation differences for foreign operations	(676)	-	(561)	-
8399	Income tax expense relating to components of other comprehensive income (loss)	226	-	95	-
	Total Items that may be reclassified subsequently to profit or loss	(450)	-	(466)	-
8300	**Other comprehensive income, net of tax**	(1,148)	-	(412)	-
	Total comprehensive income	**$ 1,306,569**	**42**	**461,012**	**32**
	Net income attributable to:				
	Shareholders of the parent	$ 1,296,402	42	462,744	32
8620	Non-controlling interests	11,315	-	(1,320)	-
		$ 1,307,717	**42**	**461,424**	**32**
	Total comprehensive income attributable to:				
	Shareholders of the parent	$ 1,295,254	42	462,332	32
	Non-controlling interests	11,315	-	(1,320)	-
		$ 1,306,569	**42**	**461,012**	**32**
	Earnings per share (note 6(m)):				
9710	Basic earnings per share (in New Taiwan dollars)	**$ 30.43**		**10.86**	
9810	Diluted earnings per share (in New Taiwan dollars)	**$ 30.11**		**10.78**	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings				Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 426,082	59,570	114,121	-	459,949	574,070	(2,041)	1,057,681	29,973	1,087,654
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	19,879	-	(19,879)	-	-	-	-	-
Special reserve appropriated	-	-	-	2,041	(2,041)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(178,955)	(178,955)	-	(178,955)	-	(178,955)
Net income	-	-	-	-	462,744	462,744	-	462,744	(1,320)	461,424
Other comprehensive income	-	-	-	-	54	54	(466)	(412)	-	(412)
Total comprehensive income	-	-	-	-	462,798	462,798	(466)	462,332	(1,320)	461,012
Changes in non-controlling interests	-	(81)	-	-	-	-	-	(81)	21,211	21,130
Balance at December 31, 2017	426,082	59,489	134,000	2,041	721,872	857,913	(2,507)	1,340,977	49,864	1,390,841
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	46,274	-	(46,274)	-	-	-	-	-
Special reserve appropriated	-	-	-	466	(466)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(426,082)	(426,082)	-	(426,082)	-	(426,082)
Other changes in capital surplus	-	3	-	-	-	-	-	3	-	3
Net income	-	-	-	-	1,296,402	1,296,402	-	1,296,402	11,315	1,307,717
Other comprehensive income	-	-	-	-	(698)	(698)	(450)	(1,148)	-	(1,148)
Total comprehensive income	-	-	-	-	1,295,704	1,295,704	(450)	1,295,254	11,315	1,306,569
Balance at December 31, 2018	**$ 426,082**	**59,492**	**180,274**	**2,507**	**1,544,754**	**1,727,535**	**(2,957)**	**2,210,152**	**61,179**	**2,271,331**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Net income before tax	$ 1,622,224	546,790
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	8,783	8,577
Amortization	263	485
Expected credit loss / Provision for bad debt expense	8,849	3,325
Interest income	(6,751)	(3,163)
Loss on disposal of property, plant and equipment	727	12
Total adjustments to reconcile profit	11,871	9,236
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	(15,426)	1,531
Accounts receivable	(376,098)	(362,895)
Inventories	(47,450)	(31,643)
Prepayments	(5,529)	9,351
Other current assets	(1,772)	(3,315)
Long-term accounts receivable	(65,538)	(7,795)
Total changes in operating assets, net	(511,813)	(394,766)
Net changes in operating liabilities:		
Contract liabilities	64,502	-
Notes payable	834	(213)
Accounts payable	132,797	53,352
Other payables	238,568	85,719
Provisions	25,165	9,124
Other current liabilities	1,864	23,556
Net defined benefit liability	42	58
Total changes in operating liabilities, net	463,772	171,596
Total changes in operating assets / liabilities, net	(48,041)	(223,170)
Total adjustments	(36,170)	(213,934)
Cash provided by operating activities	1,586,054	332,856
Interest income received	7,402	3,179
Income tax paid	(119,552)	(55,827)
Net cash provided by operating activities	1,473,904	280,208
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(34,916)	(6,995)
Proceeds from disposal of property, plant and equipment	220	-
Increase (decrease) in refundable deposits	482	(1,310)
Increase in (decrease) other non-current assets	(3)	101
Net cash used in investing activities	(34,217)	(8,204)
Cash flows from financing activities:		
Cash dividends paid	(426,082)	(178,955)
Changes in non-controlling interests	-	21,130
Surplus not paid due to overdue	3	-
Net cash used in financing activities	(426,079)	(157,825)
Effect of exchange rate changes on cash and cash equivalents	(235)	(318)
Net increase in cash and cash equivalents	1,013,373	113,861
Cash and cash equivalents at beginning of period	751,469	637,608
Cash and cash equivalents at end of period	$ 1,764,842	751,469

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) History and organization

MACHVISION INC. CO., LTD. (the Company) was incorporated in June 9, 1998 as a company limited by shares under the laws of the Republic of China (ROC). The address of the Company's registered office is No. 2-3, Gongye East 2nd Road, Hsinchu Science Park, Hsinchu 30075, Taiwan, R.O.C.The consolidated entities in the consolidated financial statements include the Company and its subsidiaries (the Group). The Group are mainly engaged in the manufacturing and trading of optical inspection machinery equipment.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and published on February 13, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation": The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014－2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon its initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of customized products, past revenue is recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control of the goods. For certain customized product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue is recognized as the products are being manufactured. This result in revenue, and some associated costs, to be recognized earlier － i.e. before the goods are delivered to the customers' premises. The Group analyzed that the contract that was not completed on the first applicable date, and did not recognize any differences in sales and related costs from the past.

At the time of sale, 12-month warranty service is rendered by the Group. In the past, the warranty liabilities were estimated based on the cost of product maintenance and the probability of product replacement. Under IFRS 15, warranty is differentiated as standard warranty and service type warranty, of which the accounting treatment is applicable to that of the performance obligation. The said transaction is to provide standard warranty stated in the agreement, and therefore, is not expected to cause any material impact on the consolidated financial statements.

2) Impacts on financial statements

The Group estimates the adoption of IFRS 15 do not have any significant impact on the Group's consolidated financial statements for the year ended December 31, 2018.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS 39		IFRS 9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Equity instruments	Carried at cost (note 1)	9,644	FVTPL	9,644
Trade and other receivables	Loans and receivables (note 2)	727,965	Amortized cost	727,965

Note 1: As permitted by IFRS 9, the Group has designated these equity instruments at the date of initial application as measured at FVTPL. However, the changes have no significant influence on the assets and equity of January 1, 2018.

Note 2: Notes receivables, trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings effect	2018.1.1 Other equity effect
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ -	-	-		-	-
Additions － equity instruments:						
From financial assets measured at cost	-	9,644	-		-	-
Total	$ -	9,644	-	9,644	-	-
Fair value through other comprehensive income						
Beginning balance of available-for-sale (including measured at cost) (IAS 39)	$ 9,644	-	-		-	-
Subtractions － equity instruments						
To FVTPL － required reclassification based on classification criteria	-	(9,644)	-		-	-
Total	$ 9,644	(9,644)	-	-	-	-
Amortized cost						
Beginning balance of trade and other receivables	$ 727,965	-	-	727,965	-	-

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015－2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases － Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard － i.e. the lessors will continue to classify leases as finance or operating leases.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, factory facilities and warehouses. No significant impact is expected for the Group’s finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with a lease term that ends within 12 months at the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and cars. The Group estimated that the right-of-use assets and the lease liabilities to increase by $69,717 thousand on January 1, 2019.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assessed that the above IFRSs may not be relevant to the Group.

(Continued)

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated (Refer to the summary on significant accounting policies).

(ii) Functional and reporting currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) List of subsidiaries included in the consolidated financial statements

Investor	**Subsidiary**	**Nature of business**	**Percentage of ownership December 31, 2018**	**Percentage of ownership December 31, 2017**	**Notes**
The Company	Machvision Inc.	Investment	100.00%	100.00%	
The Company	Autovision Technology Inc.	Manufacturing of computer peripheral products	45.00%	45.00%	Note 1

(Continued)

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Notes
The Company	Sigold Optics Inc.	Manufacturing of machinery equipment	49.47%	49.47%	Note 2
Machvision Inc.	Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	100.00%	100.00%	

Note 1: The Company holds 45% of the ownership of Autovision Technology Inc. However, it remains to be a subsidiary since the Company retains control of its financial and operational policy decision.

Note 2: In March 2017, Sigold Optics Inc. had a capital increase in cash, wherein the Company did not acquire these new common shares proportionally, resulting in the Company’s shares in Sigold Optics Inc. to decrease to 49.47%. However, it remains to be a subsidiary since the Company retain control of its financial and operational policy decision.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

(Continued)

When the settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

Cash or cash equivalents, assets held for trading purposes or short-term and expected to be converted to cash within twelve months after the reporting period or for intention of sales or consumption within its normal operating cycle are classified as current assets; all other assets are classified as non-current assets.

Liabilities that must be fully liquidated within twelve months after the reporting period are classified as current liabilities; all other liabilities are classified as non-current liabilities.

(f) Cash and cash equivalents

Cash and cash equivalents comprised cash, cash in banks and short term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of the Group are listed in cash and cash equivalents because they satisfy the aforementioned definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, on initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, long-term receivable, guarantee deposit paid and other non-current assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

The Group classifies financial assets into the following categories:

1) Financial assets carried at cost

These are investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured. Such investments are recognized at acquisition cost. If any objective evidence exists suggesting impairment loss, this loss shall be recognized and cannot be reversed.

2) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using the trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expense.

3) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in operating expenses.

4) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(iii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which notes payable, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expense.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation expires or has been discharged or cancelled. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expense.

3) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(Continued)

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	4~50 years
Machinery equipment	3~15 years
Other equipment	2~10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(j) Intangible assets

Intangible assets comprise the computer software expense and the technology capital contributed by the shareholders of the Group and approved by the Ministry of Economic Affairs R.O.C. The cost of computer software is amortized over 3 to 10 years and the capital is amortized over 20 years, both are calculated using the straight-line method and are recorded under operating expenses.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in accounting estimates.

(k) Impairment of non-financial assets

With regard to non-financial assets (other than inventories, deferred tax assets and employee benefits), the Group assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount of assets with an indication of impairment.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash generating unit cannot exceed the carrying amount of the individual asset or cash generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

(l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(m) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group’s main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the ownership of the significant risks and rewards of the products have been transferred to the customer, and the Group is no longer engaged with the management of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

At the time of sale, the Group renders the standard warranty stated in the agreement, which is recognized as a provision for warranty.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Services

The Group provides maintenance services and improvement of old machines, and revenue is recognized when it satisfies a performance obligation by transferring control of a service to a customer.

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from services shall be recognized when service provision is completed and the amount of revenue can be measured reliably.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

(Continued)

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Income tax

Income tax expenses include both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the below exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred income tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

A deferred income tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be reevaluated every year on the financial reporting date, adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(p) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The weighted average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid in capital.

When computing diluted earnings per share with regards to employee bonuses in the form of stock, the closing price at the balance sheet date is used as the basis of computation in the number of shares to be issued. When computing diluted earnings per share prior to the following year's Board of Directors the effect of dilution from these potential stocks is taken into consideration.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

(Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is valuation of inventories.

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value is subject to market price fluctuations and market demands after the reporting date.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 1,013	1,387
Saving deposits	327,667	225,585
Checking deposits	500	-
Foreign currency deposits	141,532	119,670
Time deposits	1,294,130	404,827
Cash and cash equivalents per statements of cash flow	$ 1,764,842	751,469

The expiry date of three months to a year on deposit satisfy the highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Please refer to note 6(r) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Notes, accounts and long-term accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 18,379	2,953
Accounts receivable	1,088,717	712,622
Long-term accounts receivable	81,776	16,238
Less: allowance for impairment	12,520	3,674
unrealized interest income	825	174
	$ 1,175,527	727,965

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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The expected credit losses as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	$ 879,030	0%	-
1 to 90 days past due	232,506	0.069%	161
91 to 180 days past due	47,205	0.966%	456
181 to 270 days past due	7,935	2.974%	236
271 to 365 days past due	16,474	41.096%	6,770
Past due over 365 days	4,897	100.000%	4,897
	$ 1,188,047		12,520

As of and 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017
1 to 90 days past due	$ 4,423
91 to 365 days past due	790
Past due over 365 days	183
	$ 5,396

The movement in the allowance for notes, accounts and long-term accounts receivable was as follows:

		2017		
	2018	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2018 and 2017 per IAS 39	$ 3,674	124	265	389
Adjustment on initial application of IFRS 9	-			
Balance at January 1, 2018 per IFRS 9	3,674			
Impairment loss recognized	8,849	3,240	85	3,325
Amounts written off	-	(39)	-	(39)
Foreign exchange losses	(3)	(1)	-	(1)
Balance at December 31, 2018 and 2017	$ 12,520	3,324	350	3,674

Impairment loss recognized for individually assessed impairment is the difference between the carrying amount and the amount expected to be collected. The Group does not hold any collateral for the collected amounts.

The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

(c) Inventories

The components of the Group's inventories were as follows:

	December 31, 2018	December 31, 2017
Finished goods	$ 42,284	33,163
Work in process	48,961	37,093
Raw material	142,756	116,295
	$ 234,001	186,551

The Group inventories were not provided as pledged assets.

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating cost were as follows:

	2018	2017
Losses on decline in market value of inventory	$ 23,282	10,306
Gain on physical count	(86)	(366)
	$ 23,196	9,940

(d) Financial assets at fair value through profit or loss－non-current

	December 31, 2018
Mandatorily measured at fair value through profit or loss:	
Unlisted stocks (domestic)－Yayatech Co., Ltd.	$ 9,644

(e) Financial assets carried at cost－noncurrent

	Holding percentage	Original	Book value
December 31, 2017			
Yayatech Co., Ltd.	5	$ 9,644	9,644

The shares hold by the Group that do not have a quoted market price in an active market were measured at amortized cost in December 31, 2017, and were reclassified to financial assets at fair value through profit or loss in December 31, 2018.

In March 2012, the Group obtained 884 thousand shares of Yayatech Co. Ltd. as compensation and recognized its investment at fair value of $9,644.

(Continued)

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(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

		Buildings	Machinery equipment	Other equipment	Construction in progress	Total
Cost:						
Balance as of January 1, 2018	$	235,624	3,957	10,609	-	250,190
Additions		1,735	2,700	2,607	27,874	34,916
Disposals		(937)	(2,300)	(1,817)	-	(5,054)
Effect of movement in exchange rates		(661)	-	(21)	-	(682)
Balance as of December 31, 2018	$	235,761	4,357	11,378	27,874	279,370
Balance as of January 1, 2017	$	230,393	3,957	10,118	-	244,468
Additions		5,548	-	1,447	-	6,995
Disposals		-	-	(947)	-	(947)
Effect of movement in exchange rates		(317)	-	(9)	-	(326)
Balance as of December 31, 2017	$	235,624	3,957	10,609	-	250,190
Depreciation and impairment losses:						
Balance as of January 1, 2018	$	27,967	3,141	5,220	-	36,328
Depreciation		6,399	321	2,063	-	8,783
Disposals		(114)	(2,300)	(1,693)	-	(4,107)
Effect of movement in exchange rates		(230)	-	(11)	-	(241)
Balance as of December 31, 2018	$	34,022	1,162	5,579	-	40,763
Balance as of January 1, 2017	$	21,779	2,636	4,353	-	28,768
Depreciation		6,270	505	1,802	-	8,577
Disposals		-	-	(935)	-	(935)
Effect of movement in exchange rates		(82)	-	-	-	(82)
Balance as of December 31, 2017	$	27,967	3,141	5,220	-	36,328
Carrying amounts:						
December 31, 2018	$	201,739	3,195	5,799	27,874	238,607
December 31, 2017	$	208,614	1,321	5,765	-	215,700
January 1, 2017	$	207,657	816	5,389	-	213,862

(g) Intangible assets

		Industrial capital contribution	Computer software expense	Total
Cost:				
Balance as of January 1, 2018 (Balance as of December 31, 2018)	$	16,000	1,100	17,100
Balance as of January 1, 2017 (Balance as of December 31, 2017)	$	16,000	1,100	17,100

(Continued)

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		Industrial capital contribution	Computer software expense	Total
Amortization and impairment loss:				
Balance as of January 1, 2018	$	15,847	687	16,534
Amortization		153	110	263
Balance as of December 31, 2018	$	16,000	797	16,797
Balance as of January 1, 2017	$	15,472	577	16,049
Amortization		375	110	485
Balance as of December 31, 2017	$	15,847	687	16,534
Carrying amounts:				
December 31, 2018	$	-	303	303
December 31, 2017	$	153	413	566
January 1, 2017	$	528	523	1,051

(i) The amortization of intangible assets were follows:

		2018	2017
Operating expenses	$	263	485

(ii) Impairment Loss

The Group recognized an impairment loss of $4,000 after assessing the recoverable amount of intangible assets on December 31, 2008. There were no impairment losses as of December 31, 2018 and 2017.

(h) Provisions

		Warranties
January 1, 2018	$	20,188
Provisions made during the year		32,983
Provisions used during the year		(7,818)
December 31, 2018	$	45,353
January 1, 2017	$	11,064
Provisions made during the year		14,067
Provisions used during the year		(4,943)
December 31, 2017	$	20,188

The provision for warranties relates mainly to the machinery equipment sold. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

(Continued)

(i) Operating leases

The Group rented the land located in the Hsinchu Science Park on 1 July 2013 from the Hsinchu Science Park Bureau for a period ending on May 31, 2019, the monthly rent of $140, and provide deposit of $1,683 as a deposit (included in other non-current assets). Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 700	1,680
Between one and five years	-	700
	$ 700	**2,380**

In 2018 and 2017, the total lease costs and expenses recognized in profit or loss were $1,680.

(j) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31, 2018	December 31, 2017
The present value of the defined benefit obligations	$ 12,549	11,595
Fair value of plan assets	(3,052)	(2,838)
The net defined benefit liability	**$ 9,497**	**8,757**

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $3,052 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labors.

(Continued)

2) Movements in present value of the defined benefit obligations

The movements in present value of the Group's defined benefit obligation for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Defined benefit obligation at 1 January	$	11,595	11,500
Current service costs and interest		188	158
Remeasurements of the net defined benefit liability (asset)			
－Due to changes in financial assumption of actuarial (losses) gains		766	(63)
Defined benefit obligation at December 31	**$**	**12,549**	**11,595**

3) Movement of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group were as follows:

		2018	2017
Fair value of plan assets at January 1	$	2,838	2,747
Interest revenue		47	38
Remeasurements of the net defined benefit liability			
－Return on plan assets excluding the interest income		68	(9)
Contributions made		99	62
Fair value of plan assets, December 31	**$**	**3,052**	**2,838**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

		2018	2017
Net interest on the defined benefit liability	**$**	**141**	**120**

		2018	2017
Operating costs	$	38	24
Selling expenses		15	9
Research and development expenses		88	87
	$	**141**	**120**

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5) Remeasurement of the net defined benefit liability recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability recognized in other comprehensive income were as follows:

	2018	2017
Cumulative amount at January 1	$ 4,955	5,009
Recognized during the period	698	(54)
Cumulative amount at December 31	$ 5,653	4,955

6) Actuarial assumptions

The following were the Group's principal actuarial assumptions at the reporting dates:

	2018.12.31	2017.12.31
Discount rate	1.375%	1.625%
Future salary increases rate	3.000%	3.000%

The Group expects to make contributions of $62 to its defined benefit plans in the following year starting from the reporting date of 2018.

The weighted average duration of the defined benefit plans is 16.45 years.

7) Sensitivity analysis

As of December 31, 2018 and 2017, the present value of the defined benefit obligation were as follow:

	The impact of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2018		
Discount rate	$ (395)	412
Future salary increase rate	398	(383)
December 31, 2017		
Discount rate	(385)	402
Future salary increase rate	390	(375)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(Continued)

(ii) Defined contribution plans

The Group makes monthly contributions equal 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

Machvision Inc. does not have employees and therefore does not need to pay a pension.

The Group's pension costs under the defined contribution plan were $10,044 and $7,511 for 2018 and 2017, respectively. Payment was made to the Bureau of the Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(k) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

(i) Income tax expenses

The amount of income tax for 2018 and 2017 were as follows:

	2018	2017
Current income tax expense		
Current period incurred	$ 321,680	87,418
Adjustment for prior periods	3,777	3,709
	325,457	91,127
Deferred tax expense		
Origination and reversal of temporary differences	(8,618)	(5,761)
Adjustment of tax rates	(2,332)	-
	(10,950)	(5,761)
Income tax expenses	**$ 314,507**	**85,366**

The amount of income tax recognized in other comprehensive income were as follows:

	2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Financial statements translation differences for foreign operations	**$ 226**	**95**

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Reconciliation of income tax expenses and profit before income tax for 2018 and 2017 were as follows:

	2018	2017
Profit before income tax	$ 1,622,224	546,790
Income tax using the Company's domestic tax rate	$ 324,444	92,955
Effect of tax rates in foreign jurisdiction	(137)	(137)
Adjustments according to tax law	(1,961)	107
Adjustment of tax rates	(2,332)	-
Tax treaty rewards	(10,240)	(11,554)
Adjustments for prior years income tax	3,777	3,709
Previously overestimate (underestimate) deferred tax assets	(68)	62
Others	1,024	224
Total	$ 314,507	85,366

(ii) Deferred tax assets and liabilities－Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	Provisions	Loss from investment using equity method	Allowance for inventory valuation	Other	Total
Balance at January 1, 2018	$ 3,432	886	4,264	5,148	13,730
Recognized in profit or loss	5,638	2,222	5,169	(1,299)	11,730
Recognized in other comprehensive income	-	-	-	226	226
Balance at December 31, 2018	$ 9,070	3,108	9,433	4,075	25,686
Balance at January 1, 2017	$ 1,881	744	2,659	2,590	7,874
Recognized in profit or loss	1,551	142	1,605	2,463	5,761
Recognized in other comprehensive income	-	-	-	95	95
Balance at December 31, 2017	$ 3,432	886	4,264	5,148	13,730

Deferred tax liabilities:

	Unrealized exchange gain
Balance at January 1, 2018	$ -
Recognized in profit or loss	780
Balance at December 31, 2018	780

(iii) Examination and Approval

The ROC income tax authorities have examined the Company's income tax returns through 2016.

(l) Capital and other equity

(i) Ordinary shares

As of December 31, 2018 and 2017, the total value of nominal ordinary shares amounted to $500,000, with a par value of $10 per share, of which 42,608 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

According to the Company's Articles, if the Company makes a profit in each semi fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside 10% of the remaining profit as legal reserve, until the legal reserve is equal to the paid in capital. Then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors. Distribution in cash shall have the approval from the board of directors. Whereas if it is in shares, it shall have to be proposed by the board of directors during the shareholders’ meeting for approval.

1) Legal reserve

According to the Company Act, 10% of net income after tax should be set aside as legal reserve until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling No.1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

3) Earnings distribution

The appropriations of 2017 and 2016 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on May 29, 2018, and May 26, 2017, respectively, were as follows:

	2017		2016	
	Amount per share (NTD)	**Total Amount**	**Amount per share (NTD)**	**Total Amount**
Dividends distributed to ordinary stockholders:				
Cash (earnings)	$ 10.00	426,082	4.20	178,955

(m) Earnings per share

The calculation of the Company's basic and diluted earnings per share for years ended December 31, 2018 and 2017 were as follows:

(i) Basic earnings per share

	2018	**2017**
Net income attributable to ordinary shareholders of the Company	$ 1,296,402	462,744
Weighted-average number of ordinary shares	42,608	42,608
Basic earnings per share (in NTD)	$ 30.43	10.86

(ii) Diluted earnings per share

	2018	**2017**
Net income attributable to ordinary shareholders of the Company (diluted)	$ 1,296,402	462,744
Weighted-average number of ordinary shares (basic)	42,608	42,608
Effect of potential ordinary shares		
Employee's stock bonus	451	383
Weighted-average number of ordinary shares (diluted)	43,059	42,922
Diluted earnings per share (in NTD)	$ 30.11	10.78

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(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018		
	Taiwan		**Total**
Primary geographical markets:			
Taiwan	$ 1,533,869	-	1,533,869
China	1,124,876	246,028	1,370,904
Others	207,103	-	207,103
	$ 2,865,848	246,028	3,111,876
Primary merchandises / Services lines:			
Sale of optical inspection machinery equipment	$ 2,822,436	202,563	3,024,999
Revenue from services	43,412	43,465	86,877
	$ 2,865,848	246,028	3,111,876

(ii) Contract balance

	December 31, 2018	January 1, 2018
Contract liabilities－Advance receipts	$ 82,716	18,214

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $18,166 thousand.

The contract liability is mainly due to advance receipts, wherein the Company will recognize revenue when the product is delivered to the customer.

(o) Revenue

The details of the Group's revenue were as follows:

	2017
Sale of goods	$ 1,345,653
Revenue from services	75,235
	$ 1,420,888

(p) Remuneration to employees, directors and supervisors

The Company’ s articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against and deficit, then, a minimum of 5% will be distributed as employee remuneration, and a maximum of 3% will be allocated as remuneration to directors and supervisors.

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For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $161,623 and $57,820, and directors' and supervisors' remuneration amounting to $32,037 and $12,505, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(q) Non-operating income and expenses

(i) Other income

		2018	2017
Interest income	$	6,751	3,163
Other income, Others		2,037	2,393
Total Other income	**$**	**8,788**	**5,556**

(ii) Other gains and losses

		2018	2017
Losses on disposals of property, plant and equipment	$	(727)	(12)
Gains on disposals of investments		906	-
Foreign exchange gains (losses)		29,469	(24,636)
Others		(364)	(376)
Other gains and losses, net	**$**	**29,284**	**(25,024)**

(r) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The business of the customer of the Group is the manufacturing of the printed circuit board. As of December 31, 2018 and 2017, the accounts receivable that concentration of credit risk on an individual customer amounted to $176,157 and $253,065, respectively.

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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

		Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	Over 5 years
December 31, 2018							
Non-derivative financial liabilities							
Notes payable	$	1,358	1,358	1,358	-	-	-
Accounts payable		318,692	318,692	318,692	-	-	-
Other payables		105,122	105,122	105,122	-	-	-
	$	**425,172**	**425,172**	**425,172**	**-**	**-**	**-**
December 31, 2017							
Non-derivative financial liabilities							
Notes payable	$	524	524	524	-	-	-
Accounts payable		185,895	185,895	185,895	-	-	-
Other payables		45,191	45,191	45,191	-	-	-
	$	**231,610**	**231,610**	**231,610**	**-**	**-**	**-**

The Group is not expecting the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's financial assets and liabilities exposed to significant currency risk was as follows:

		Foreign currency	Exchange rate	NTD
December 31, 2018				
Financial assets:				
Monetary items:				
USD	$	27,942	30.7100	858,114
JPY	$	87,286	0.2783	24,292
CNY	$	49,529	4.4700	221,393
Financial liabilities:				
Monetary items:				
USD	$	3,507	30.7100	107,694
CNY	$	5,585	4.4700	24,965

		Foreign currency	**Exchange rate**	**NTD**
December 31, 2017				
Financial assets:				
Monetary items:				
USD	$	23,530	29.7650	700,378
JPY	$	90,528	0.2643	23,927
CNY	$	12,518	4.5670	57,168
Financial liabilities:				
Monetary items:				
USD	$	1,718	29.7650	51,148
CNY	$	3,412	4.5670	15,583

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, receivables, accounts payables that are denominated in foreign currency. A weakening or strengthening 3% appreciation or depreciation of the NTD against the USD and CNY as of December 31, 2018 and 2017, would have increased or decreased the net profit after tax by $23,307 and $17,797, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kind of functional currencies, the information on foreign exchange gains (loss) on monetary items is disclosed based on the total amount. For the years ended December 31, 2018 and 2017, foreign exchange gains (losses) (including realized and unrealized portion) amounted to $29,469 and $(24,636).

(iv) Interest rate analysis

The detail of interest rate exposure were as follows:

	Carrying amount	
	December 31, 2018	**December 31, 2017**
Assets with variable interest rates converted to cash:		
Cash in banks	$ 1,763,329	1,440,570

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

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If the interest rate had increased or decreased by 1%, the Group's net income before tax would have increase or decrease by $14,107 and $6,226 for the years ended December 31, 2018 and 2017, respectively, with all other variable factors remain constant.

(v) Information of fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	December 31, 2018				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 9,644	-	-	9,644	9,644
Financial assets measured at amortized cost					
Cash and cash equivalents	1,764,842	-	-	-	-
Accounts, notes and long-term receivables	1,175,527	-	-	-	-
Refundable deposits	5,285	-	-	-	-
Other non-current assets	2,189	-	-	-	-
Subtotal	2,947,843	-	-	-	-
Total	**$ 2,957,487**	**-**	**-**	**9,644**	**9,644**
Financial liabilities measured at amortized cost					
Notes payable	$ 1,358	-	-	-	-
Accounts payable	318,692	-	-	-	-
Other payables	105,122	-	-	-	-
Total	**$ 425,172**	**-**	**-**	**-**	**-**

(Continued)

	December 31, 2017				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets					
Financial assets carried at cost	$ 9,644	-	-	-	-
Receivables					
Cash and cash equivalents	751,469	-	-	-	-
Accounts, notes and long-term receivables	727,965	-	-	-	-
Refundable deposits	5,767	-	-	-	-
Other non-current assets	2,186	-	-	-	-
Subtotal	1,487,387	-	-	-	-
Total	**$ 1,497,031**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Notes payable	$ 524	-	-	-	-
Accounts payable	185,895	-	-	-	-
Other payables	45,191	-	-	-	-
Total	**$ 231,610**	**-**	**-**	**-**	**-**

2) Valuation techniques for financial instruments measured at fair value－Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s-length basis. Whether transactions are taking place ‘regularly’ is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

If the financial instruments have no quoted market price in an active market, the Group shall use the market comparison approach to evaluate the fair value. The main assumption used in computing the market price is based on the investee’s equity and the quoted price from a competitor. The estimated price has been discounted due to the lack of liquidity in the price of securities .

(Continued)

3) Fair value hierarchy

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2018 (Balance at December 31, 2018)	$ 9,644

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Item	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets at fair value through profit or loss－Equity investments without an active market	Comparative listed company	• Price book ratio (As of December 31, 2018 was 3.79) • P/E ratio (As of December 31, 2018 was 12.47) • Market illiquidity discount rate (As of December 31, 2018 was 20%)	The estimated fair value would increase (decrease) if • the price book ratio and the P/E ratio the were higher (lower) • the market illiquidity discount were lower (higher)

6) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

			Other comprehensive income	
	Input	**Assumptions**	**Favourable**	**Unfavourable**
December 31, 2018				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	1,368	(1,368)

The favourable and unfavourable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(s) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note has the information on risk exposure and the objectives, policies and process of risk measurement and management. For detailed information, please refer to the related note on each risk.

(ii) Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The chairman and the general manager are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on its activities.

The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments securities.

(Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the demographics of the Group's customer base, including the default risk of the industry and the country in which customers operate, as these factors may have an influence on credit risk.

The Group's receivables are mainly due to one customer, which account for 15% and 35% of the total amount of receivables as of December 31, 2018 and 2017, respectively. The Group's receivables are concentrated on the industry type of the printed circuit board manufacturers.

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

If the Group retains the rights to the products that have already been sold, the Group shall also have the right to require collateral if payment has not been received. The Group does not require any collateral for receivables.

The Group has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused short term bank facilities of $365,355 and $260,000, as of December 31, 2018 and 2017, respectively.

(v) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Group's income or the value of its holding of financial instrument. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimizing the return.

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements.

(t) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings of the Group. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 1,200,716	529,561
Less: cash and cash equivalents	1,764,842	751,469
Net debt	$ (564,126)	(221,908)
Total equity	$ 2,271,331	1,390,841

As of December 31, 2018, there were no changes in the Group's approach of capital management.

(7) Related-party transactions

The compensation of the key management personnel comprised the following:

	2018	2017
Short-term employee benefits	$ 56,394	22,566
Post-employment benefits	228	228
	$ 56,622	22,794

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2018	December 31, 2017
Other non-current assets:			
Time deposits	Guarantee for customs	$ 506	503
Time deposits	Guarantee for rent the land from the Hsinchu Science Park Bureau	1,683	1,683
		$ 2,189	2,186

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(Continued)

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(11) Subsequent Events: None.

(12) Other

The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By function / By item	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	100,011	304,878	404,889	60,662	187,463	248,125
Labor and health insurance	7,800	9,671	17,471	4,586	8,194	12,780
Pension	4,207	5,978	10,185	2,302	5,329	7,631
Directors' remuneration	-	32,204	32,204	-	8,379	8,379
Others	17,153	24,183	41,336	4,849	12,288	17,137
Depreciation	4,834	3,949	8,783	4,603	3,974	8,577
Amortization	-	263	263	-	485	485

MACHVISION INC. CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2018	Notes
				Number of shares	Book value	Holding percentage	Market value		
The Company	Yayatech Co., Ltd.	-	Financial assets at fair value through profit or loss	884,000	9,644	5.00 %	9,644	9,644	Note 1

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Counter-party	Relationship	Transaction details				Arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Machvision (Dongguan) Inc.	Subsidiary	(Sale)	148,172	5.00 %		Not significantly differences	Dependent on capital budgeting	186,441	16%	(Note 1)

Note 1: The transactions have been eliminated upon consolidation.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of related party	Counter-party	Relationship	Balance of receivables from related party (note 3)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowance for bad debts
					Amount	Action taken		
The Company	Machvision (Dongguan) Inc.	Subsidiary	186,441	1.11	59,410	Depenent on capital budgeting	5,876 (Until February 13, 2019)	-

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Note 5)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Machvision (Dongguan) Inc.	1	Operating revenue	148,172	Not significantly differentes	4.76%
0	The Company	Sigold Optics Inc.	1	Operating cost	31,459	Not significantly differentes	1.01%
0	The Company	Machvision (Dongguan) Inc.	1	Accounts receivable－related parties (including long-term accounts receivable)	186,441	Dependent on capital budgeting	5.36%
0	The Company	Machvision (Dongguan) Inc.	1	Other payables－related parties	37,059	Dependent on capital budgeting	1.07%

Note 1: Company numbering is as follows:

(1) Parent company is 0.

(2) Subsidiary starts from 1.

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 2: The number of the relationship with the transaction counterparty represents the following:

(1) 1 represents downstream transactions.

(2) 2 represents upstream transactions.

Note 3: For balance sheet items, over 1% of total consolidated assets, and for profit or loss items, over 1% of total consolidated revenue were selected for disclosure.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost December 31, 2018	Original cost December 31, 2017	Ending balance Shares	Ending balance Percentage of ownership	Ending balance Book value (Note 1)	Maximum investment amount in 2018	Net income of investee (Note 1)	Investment income (losses) (Note 1)	Notes
The Company	Machvision Inc.	Samoa	Investment	50,114	50,114	1,607,276	100.00%	25,743	50,114	(9,987)	(9,987)	Note 1, 2
The Company	Autovision Technology Inc.	Taiwan	Manufacturing of computer peripheral produtcts	2,250	2,250	225,000	45.00%	2,791	2,250	2,516	1,132	Note 2
The Company	Sigold Optics Inc.	Taiwan	Manufacturing of machinery equipment	49,470	49,470	4,947,000	49.47%	56,557	49,470	19,655	9,724	Note 2

Note 1: The company is a limited company.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

Note 3: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee investment in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Beginning remittance balance - cumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount) Invested amount	Current remittance / recoverable investment (amount) Returned amount	Ending remittance balance-cumulative investment (amount) from Taiwan	Net income of investee	Direct / indirect shareholdings or investments (%) in the Company	Maximum investment amount in 2018	Current investment gains and losses (Notes 4)	Book value	Remittance of investment income in current period
Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	50,042	(2)	50,042	-	-	50,042	(9,987)	100%	50,042	(9,987)	30,383	-

Note 1: The method of investment is divided into the following four categories:

(1) Remittance from thirdregion companies to invest in Mainland China.

(2) Through the establishment of thirdregion companies then investing in Mainland China.

(3) Through transferring the investment to thirdregion existing companies then investing in Mainland China.

(4) Other methods: EX: delegated investments.

Note 2: Investing in Machvision (Dongguan) Inc.through Machvision Inc.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

Note 4: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2018	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	50,042	111,399	1,326,091 (Note)

Note: It represents 60% of the Company's net equity.

(iii) Significant transactions:

Please refer to "Business relationships and significant intercompany transaction" for the indirect and direct business transactions in China. All transactions were eliminated upon consolidation.

(14) Segment information:

(a) General information

The Group is mainly engaged in the manufacturing, trading and testing of optical inspection machinery equipment, as well as their related products. The operating decision maker focuses on the entirety of the Group for the purpose of resource allocation and assessment performance. The Group is identified as a single reportable segment.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes operating profit, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

Information on reportable segments and reconciliation for the Group is as follows:

	2018			
	Taiwan	**China**	**Adjustments or elimination**	**Total**
Revenue:				
Revenue from external customers	$ 2,865,848	246,028	-	3,111,876
Inter-segment revenues	216,234	-	(216,234)	-
Total revenue	$ 3,082,082	246,028	(216,234)	3,111,876
Reportable segment profit or loss	$ 1,594,360	(10,208)	-	1,584,152

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2017			
	Taiwan	**China**	**Adjustments or elimination**	**Total**
Revenue:				
Revenue from external customers	$ 1,272,166	148,722	-	1,420,888
Inter-segment revenues	124,453	-	(124,453)	-
Total revenue	$ 1,396,619	148,722	(124,453)	1,420,888
Reportable segment profit or loss	$ 568,079	(1,821)	-	566,258

In 2018 and 2017, inter-segment revenues of $216,234 and $124,453, respectively, should be eliminated from total revenue.

(c) Information on products and services

Revenue from the external customers were as follows:

Products and services	**2018**	**2017**
Sale of goods	$ 3,024,999	1,345,653
Revenue from services	86,877	75,235
Total	$ 3,111,876	1,420,888

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment non-current assets are based on the geographical location of the assets.

Geographic information	**2018**	**2017**
Revenue from external customers:		
Taiwan	$ 1,533,869	437,668
China	1,370,904	865,380
Other	207,103	117,840
Total	$ 3,111,876	1,420,888

Geographical information	**December 31, 2018**	**December 31, 2017**
Non-current assets:		
Taiwan	$ 216,004	192,057
China	22,906	22,371
Total	$ 238,910	214,428

(Continued)

Non-current assets include property, plant and equipment, and intangible assets, not including financial instruments and deferred tax assets.

(e) Information about major customers

		2018	2017
A Group in Taiwan	$	960,380	322,203
B Group in Taiwan		347,967	141,068
C Group in Taiwan		322,228	22,480
D Group in Taiwan		131,026	158,220
Total	**$**	**1,761,601**	**643,971**

5. Individual financial report of this company in the most recent year by CPA

CPA audit report

To: Machvision Inc. Co., Ltd. Board of Directors

Audit opinions

Machvision Inc. Co., Ltd. Balance Sheet for year 2018 and December 31, 2017, and the consolidated income statement, statement of changes in equity and the cash flow statement from January 31 to December 31, 2017 and year 2018., as well as individual financial report notes (including the summary of major accounting policies), have been audited by CPA's.

In accordance with the opinion of CPA's, the above individual financial report is prepared in accordance with the financial issuer's financial reporting standards in all material aspects, which is sufficient to express the financial situation of Machvision Inc. Co., LTD., Ltd. in year 2018 and December 31, 2017, and the financial performance and cash flow of year 2018 and from January 1 to December 31, 2017.

Basis of audit opinion

The CPA's performed the audit in accordance with the CPA's verification of financial statement rules and generally accepted auditing standards. The accountability of CPA's under these standards will be further explained in the section of CPA's responsibility to audit individual financial reports. The personnel subject to the independence of the firm to which CPA's are affiliated have been in accordance with the professional ethics of CPA, maintaining independence from Machvision Inc. Co. Ltd., and fulfill other responsibilities of the specification. The CPA's believe that sufficient and appropriate evidence of the audit has been obtained as a basis for expressing the opinion.

Key audit items

Key audit items refer to the professional judgment of CPA's, the most important matter for the review of the individual financial report of year 2018 of Machvision Inc. Co. Ltd. (hereinafter referred to as the company). These items have been dealt with in the process of auditing the overall financial report of the individual and forming a review opinion. CPA's do not express a separate opinion on these items. CPA's judgment should communicate the key audit items on the audit report as follows:

1. Revenue recognition

Please refer to Note 4 (13) and 6 (15) for the relevant disclosure of income recognition.

Description of key audit items:

Operating income is the primary indicator for an investor and management to assess the financial or business performance of the company. As the timing and amount of revenue recognition are correct, the impact on the financial statements is significant, and for the first time apply the International Financial Reporting Standard No. 15, the assumptions or judgments used to measure and recognize revenue depend on the subjective judgment of the management, it is a key audit item.

In response to audit procedure:

Understand and test the effectiveness of the design and implementation of control within the sales and collection operations cycle, review the key judgments and estimates of the recognition of revenue from major contract assessments; understand the product categories and sales models of the top ten sales customers, check whether sales revenue and receivables turnover days are in line with the trading conditions, understand the changes in customers in the most recent period and the same period last year and analyze whether there are any major abnormalities; select a sample of sales transactions for a period of time before and after the shipment deadline, check the relevant documents to assess the correctness of the revenue recognition period, and whether there is an abnormal revenue subpoena, and understand whether there is a major return situation after this period.

2. Account receivables impairment

Please refer to Note 4 (6) and 6 (2) for the relevant disclosure of impairment of account receivable.

Description of key audit items:

This company's notes receivable, account receivable and long-term receivables accounted for 35% of the total assets as of December 31, 2018, the impairment situation was assessed by management through internal and external evidence, is considered as a key audit item.

In response to audit procedure:

Test the effectiveness of the control points associated with collection; obtain a list of account receivables and select samples to send a letter of inquiry; obtain a trial balance of the loss-receiving rate of accounts receivables, examine whether the formula is acceptable and obtain the aging analysis form of account receivables, select the samples to check the relevant documents and verify the correctness of aging interval, and review whether the provision for bad debts is based on loss rate, it is reasonable for the assessment management to recognize the impairment of accounts receivables.

3. Inventory subsequent evaluation

Please refer to Note 4 (7), 5 and 6 (3) for the relevant disclosures on inventory subsequent evaluation.

Description of key audit items:

This company's inventory is mainly optical testing instruments and related components. Due to rapid changes in technology and production technology updates, the original product may be out of date or no longer meet market demand, the sales demand and price of its related products may fluctuate drastically. The inventory subsequent evaluation is based on the management of the group through internal, external evidence to assess, and is considered as a key audit item.

In response to the audit procedure:

Assessing the reasonableness of accounting policies of inventory subsequent evaluation; review inventory age report and analyze the change in inventory age, assess inventory subsequent evaluation has been processed according to accounting policies; understand and assess the rationality of the net realizable value basis used by management, then re-select the sample and check the relevant documents to test the correctness of the amount, and assess whether the management's inventory subsequent evaluation after the renewal the inventory is reasonable.

Responsibility of management level and management units for individual financial report

The responsibility of management level is to prepare an individual financial report that is allowed to be expressed in accordance with the financial issuer's financial reporting guidelines, and maintain the necessary internal controls related to the preparation of individual financial reports, to ensure that individual financial reports do not contain significant misrepresentations resulting from fraud or error.

When preparing individual financial reports, management’s responsibilities include assessing the ability of Machvision Inc. Co., Ltd. to continue its operations, the disclosure of related matters, and continued use of accounting basis, unless management intends to liquidate Machvision Inc. Co., Ltd. or cease operations, or other options other than liquidation.

The governance unit (including audit committee) of Machvision Inc. Co., Ltd. is responsible for supervising financial reporting process.

CPA's responsibility to audit individual financial reports

The purpose of CPA’s to audit individual financial report, is there a reasonable conviction that the individual financial report as a whole has a significant misrepresentation due to fraud or error? and issue an audit report. Reasonably believed to be highly convinced, however, the verification work performed in accordance with generally accepted auditing standards cannot guarantee that the material misrepresentation of individual financial reports will be detected. False expression may be caused by fraud or error. If the individual amount or summary amount is not properly expressed, it may reasonably be expected to affect the economic decision made by the individual financial statement user, it is considered to be significant.

When we audit in accordance with generally accepted auditing standards, we use professional judgment and maintains professional suspicion. Our CPA’s also perform following tasks:

1. Identify and assess the risk of material misrepresentation of an individual's financial report due to fraud or error; design and implement appropriate response measures for assessed risks; and obtain sufficient and appropriate audit evidence as the basis for the audit. Fraud may involve conspiracy, forgery, intentional omission, false claims or overstep internal controls, therefore, it is not detected that the risk of significant misrepresentation due to fraud is higher than that caused by mistakes.
2. Obtain the necessary understanding of the internal control, in order to design an appropriate audit procedure at the time, however, its purpose is not to express an opinion on the effectiveness of the internal control of Machvision Inc. Co., Ltd.
3. Assess the appropriateness of accounting policies used by management level, and the reasonableness of its accounting estimates and related disclosures.
4. Based on the evidence obtained, appropriateness of management level to adopt the basis of continuing business accounting, and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Machvision Inc. Co., Ltd. to continue to operate, to make a conclusion. If our CPA’s believe that there is significant uncertainty about the events or circumstances, in the audit report, the individual financial report users are reminded to pay attention to the relevant disclosure of the individual financial reports, or amend verification opinions when the disclosure is inappropriate. The conclusions of our CPA’s are based on the verification evidence obtained as of the date of the audit report. However, future events or circumstances may cause Machvision Inc. Co., Ltd. no longer have the ability to continue to operate.
5. Evaluate the overall expression, structure and contents of individual financial reports (including related notes) and whether individual financial reports are permitted to express relevant transactions and events.
6. Obtain sufficient and appropriate evidence to verify the financial information of investee company using the equity method, express opinions on individual financial reports. CPA’s are responsible for checking the guidance, supervision and execution of the case, it is also responsible for the formation of the review opinions of Machvision Inc. Co., Ltd.

The communication between the accountants and governance units, including the scope and time planned audit, and significant audit findings (including significant lack of internal control identified during the audit process).

CPA’s also provide the governance units with a statement that the person subject to the independence of the firm to which the accountant is affiliated has complied with the independence of the accountant's professional ethics, and communicate with the governance units all relationships and other matters (including related protective measures) that may be considered to affect the independence of CPA’s.

Among the matters that CPA's communicate with governance units, decided on the key audit items for the review of the individual financial report of Machvision Inc. Co., Ltd. in year 2018, CPA's stated the matters in the audit reports, unless the law does not allow public disclosure of certain matters, or in the rare case, CPA's decided not to communicate specific matters in the audit report. It is reasonable to expect that the negative impact of this communication is greater than the public interest of the promotion.

KPMG Taiwan

CPA: Huang Boshu

Yu Antien

Securities competent authority approves number	:	Taiwan Finance Certificate Sixth Characters No. 0920122026 (88) Taiwan Financial Certificate (6) No. 18311

February 13, 2019

Machvision Inc. Co., Ltd.
Balance sheet
日 Year 2018 and Dec. 31, 2017

Unit:NTD$1,000

	Asset	12.31,2018 Amount	%	12.31,2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 1,640,945	48	640,157	34
1151	Notes receivable (Note 6 (2))	1,837	-	1,252	-
1170	Net accounts receivable (Note 6 (2))	892,763	26	652,971	35
1180	Accounts Receivable – Related persons (Notes 6 (2) and 7)	152,397	5	77,149	4
1210	Other receivables - related persons (Note 7)	3,809	-	4,386	-
130x	Inventory (Note 6 (3))	224,723	7	176,210	9
1410	Prepayments	5,271	-	1,999	-
1479	Other current assets	4,362	-	2,528	-
	Total current assets	2,926,107	86	1,556,652	82
	Non-current assets:				
1510	Financial assets measured at fair value through profit or loss - non-current (Note 6 (5))	9,644	-	-	-
1543	Financial assets measured by cost - non-current (Note 6 (6))	-	-	9,644	1
1550	Investment using the equity method (Note 6 (4))	85,091	3	86,083	5
1600	Real estate, plant and equipment (Note 6 (7))	215,585	6	191,327	10
1780	Intangible assets (Note 6 (8))	303	-	566	-
1840	Deferred income tax assets (Note 6 (12))	25,686	1	13,730	1
1920	Refundable deposits	4,005	-	4,487	-
1932	Long-term receivables (Note 6 (2))	80,951	2	16,064	1
1942	Long-term receivables - related persons (Notes 6 (2) and 7)	59,130	2	3,857	-
1995	其Other non-current assets (Notes 6 (10) and 8)	2,189	-	2,186	-
	Total non-current assets	482,584	14	327,944	18
	total assets	$ 3,408,691	100	1,884,596	100

	Liabilities and interests	107.12.31 Amount	%	106.12.31 Amount	%
	Current liabilities:				
2130	Contract liabilities - liquidity (Note 6 (15))	$ 81,800	2	-	-
2150	Bills payable	1,358	-	524	-
2170	Accounts payable	300,035	9	184,676	10
2180	Accounts payable - related persons (Note 7)	25,947	1	15,729	1
2200	Other payables (Note 6 (17))	427,325	13	200,922	11
2220	Other payables-related persons (Note 7)	37,059	1	27,526	1
2230	Current income tax liabilities	267,607	8	65,812	4
2250	Debt Preparation - Flow (Note 6 (9))	45,353	1	20,188	1
2399	Other current liabilities	1,778	-	19,485	1
	Total current liabilities	1,188,262	35	534,862	29
	Non-current liabilities:				
2570	Deferred income tax liabilities (Note 6 (12))	780	-	-	-
2640	Net defined benefit liabilities - non-current (Note 6 (11))	9,497	-	8,757	-
	Total non-current liabilities	10,277	-	8,757	-
	Total liabilities	1,198,539	35	543,619	29
	Equity (Note 6 (13)):				
3110	Common share capital	426,082	12	426,082	23
	Capital reserve:				
3211	Capital reserve - common stock premium	59,485	2	59,485	3
3235	Capital reserve - recognition of changes in the equity of subsidiaries	4	-	4	-
3280	Capital reserve - other	3	-	-	-
		59,492	2	59,489	3
	Reserve surplus:				
3310	Statutory surplus reserve	180,274	5	134,000	7
3320	Special surplus reserve	2,507	-	2,041	-
3350	Undistributed surplus	1,544,754	45	721,872	38
		1,727,535	50	857,913	45
	Other benefits:				
3410	Exchange difference for conversion of financial statements of foreign operating institutions	(2,957)	-	(2,507)	-
	Total equity	2,210,152	64	1,340,977	71
	Total liabilities and equity	$ 3,408,691	100	1,884,596	100

(Please refer to attached individual financial report for details)

Chairman: WANG/GUANG-SHIAH **Manager: CHEN/FU-SHEN** **Accounting Supervisor: TSAI/CHIA-FEN**

Machvision Inc. Co., Ltd.

Consolidated income statement

Year 2018 and Jan.01 to Dec. 31,2017

Unit: NTD$1,000

		Year 2018		Year 2017	
		Amount	%	Amount	%
4000	Operating income (Notes 6 (15), (16) and 7)	$ 2,995,779	100	1,369,792	100
5000	Operating costs (Notes 6 (3), (7), (9), (10), (11), (17) and 7)	921,494	31	511,827	37
	Operating gross profit	2,074,285	69	857,965	63
5910	Less: Unrealized sales interest	1,185	-	2,533	-
5900	Realized operating margin	2,073,100	69	855,432	63
6000	Operating expenses (Notes 6 (2), (7), (8), (10), (11), (17) and 7):				
6100	Marketing expenses	188,365	6	99,719	7
6200	Management costs	159,876	6	62,681	5
6300	Research development costs	148,216	5	123,093	9
6450	Expected credit impairment loss	8,708	-	-	-
	Total operating expenses	505,165	17	285,493	21
	Operating net profit	1,567,935	52	569,939	42
7000	**Non-operating income and expenses (Note 6 (18) and 7):**				
7010	Other income	8,853	-	5,992	-
7020	Other interests and losses	28,458	1	(26,359)	(2)
7775	Share of interests (losses) of subsidiaries recognized by equity method	869	-	(2,265)	-
	Total non-operating income and expenses	38,180	1	(22,632)	(2)
7900	**Continue to operate pre-tax net profit**	1,606,115	53	547,307	40
7950	**Less: income tax expenses (Note 6 (12))**	309,713	10	84,563	6
	Current net profit	1,296,402	43	462,744	34
8300	**Other comprehensive gains and losses:**				
8310	**Items that are not reclassified to profit or loss**				
8311	Determine the re-measurement of the welfare plan	(698)	-	54	-
8349	Income tax related to non-reclassified items	-	-	-	-
		(698)	-	54	-
8360	**Subsequent items that may be reclassified to profit or loss**				
8361	Exchange difference for conversion of financial statements of foreign operating institutions	(676)	-	(561)	-
8399	Income tax related to items that may be reclassified	226	-	95	-

(Please refer to attached individual financial report for details)

Chairman: WANG/GUANG-SHIAH **Manager: CHEN/FU-SHEN** **Accounting Supervisor: TSAI/CHIA-FEN**

	Subsequent total of items that may be reclassified to profit or loss	(450)	-	(466)	-
8300	**Other comprehensive profit and loss of this period**	(1,148)	-	(412)	-
	Total consolidated profit and loss for this period	$ 1,295,254	43	462,332	34
9750	**Earnings per share (Note 6 (14))**				
9710	Basic earnings per share (unit: NT$)	$ 30.43		10.86	
9810	Diluted earnings per share (unit: NT$)	$ 30.11		10.78	

(Please refer to attached individual financial report for details)

Chairman: WANG/GUANG-SHIAH **Manager: CHEN/FU-SHEN** **Accounting Supervisor: TSAI/CHIA-FEN**

Machvision Inc. Co., Ltd.
Statement of changes in equity
Year 2018 and Jan.01 to Dec. 31,2017

Unit: NT$1,000

	Common share capital	Capital reserve	Retain surplus: Statutory surplus reserve	Retain surplus: Special surplus reserve	Retain surplus: Undistributed surplus	Retain surplus: Total	Other equity items: Exchange difference for conversion of financial statements of foreign operating institutions	**Total equity**
Balance on Jan. 01, 2017	$ 426,082	59,570	114,121	-	459,949	574,070	(2,041)	1,057,681
Earnings allocation and distribution:								
Statutory surplus reserve	-	-	19,879	-	(19,879)	-	-	-
Special surplus reserve	-	-	-	2,041	(2,041)	-	-	-
Common stock cash dividend	-	-	-	-	(178,955)	(178,955)	-	(178,955)
Current net profit	-	-	-	-	462,744	462,744	-	462,744
Other comprehensive profit and loss of this period	-	-	-	-	54	54	(466)	(412)
Total consolidated profit and loss for this period	-	-	-	-	462,798	462,798	(466)	462,332
The difference between the equity price of the company and book value	-	(81)	-	-	-	-	-	(81)
Balance of December 31, 2017	426,082	59,489	134,000	2,041	721,872	857,913	(2,507)	1,340,977
Earnings allocation and distribution:								
Statutory surplus reserve	-	-	46,274	-	(46,274)	-	-	-
Special surplus reserve	-	-	-	466	(466)	-	-	-
Common stock cash dividend	-	-	-	-	(426,082)	(426,082)	-	(426,082)
Other capital reserve changes	-	3	-	-	-	-	-	3
Current net profit	-	-	-	-	1,296,402	1,296,402	-	1,296,402
Other comprehensive profit and loss of this period	-	-	-	-	(698)	(698)	(450)	(1,148)
Total consolidated profit and loss for this period	-	-	-	-	1,295,704	1,295,704	(450)	1,295,254
Balance of December 31, 2018	$ 426,082	59,492	180,274	2,507	1,544,754	1,727,535	(2,957)	2,210,152

(Please refer to attached individual financial report for details)

Chairman: WANG/GUANG-SHIAH **Manager: CHEN/FU-SHEN** **Accounting Supervisor: TSAI/CHIA-FEN**

Machvision Inc. Co., Ltd.

Cash flow statement

Year 2018 and Jan.01 to Dec. 31,2017

Unit: NT$1,000

	Year 2018	Year 2017
Cash flow from operating activities:		
Net profit before tax	$ 1,606,115	547,307
Adjustment item:		
Income loss item		
Depreciation expense	6,991	7,005
Amortization fee	263	485
Expected credit impairment loss/bad debt expense	8,708	3,325
Interest income	(6,386)	(3,106)
Share of loss of subsidiaries (interests) recognized by equity method	(869)	2,265
Disposal of loss of property, plant and equipment	727	-
Unrealized sales interest	1,185	2,533
Total income loss items	10,619	12,507
Changes in assets/liabilities related to business activities:		
Net change in assets associated with business activities:		
Bill receivable	(585)	64
Accounts receivable	(248,500)	(361,490)
Accounts receivable - related persons	(75,248)	(18,070)
Other receivables - related persons	577	(2,278)
Inventory	(48,513)	(28,443)
Prepayments	(3,272)	9,638
Other current assets	(1,850)	(1,443)
Long-term receivables (including related persons)	(121,387)	791
Total net change in assets associated with business activities	(498,778)	(401,231)
Net change in liabilities related to operating activities:		
Contract liability	63,632	-
Bill payables	834	(213)
Account payables	115,359	52,696
Accounts payable - related persons	10,218	(15,191)
Other payables	226,403	78,076
Other payables - related persons	9,533	5,346
Debt preparation	25,165	9,124
Other current liabilities	461	16,236
Net defined benefit liability	42	58
Total net change in liabilities related to operating activities	451,647	146,132
Total net change in assets and liabilities related to operating activities	(47,131)	(255,099)
Adjustment item total	(36,512)	(242,592)
Cash inflow from operations	1,569,603	304,715
Interest charged	7,629	3,122
Income tax paid	(118,868)	(55,023)
Net cash inflow from operating activities	1,458,364	252,814
Cash flow from investing activities:		
Acquired investment using equity method	-	(18,870)
Acquired real estate, plant and equipment	(32,196)	(1,059)
Disposal of immovable property, plant and equipment	220	-
Deposit margin reduction (increase)	482	(390)
Other non-current assets decreased (increased)	(3)	101
Net cash outflow from investing activities	(31,497)	(20,218)
Cash flow from financing activities:		
Cash dividends	(426,082)	(178,955)
Overdue dividends	3	-
Net cash outflow from financing activities	(426,079)	(178,955)
Cash and cash increase in current period	1,000,788	53,641
Cash and cash balances at the beginning of this period	640,157	586,516
Final cash and cash balance	**$ 1,640,945**	**640,157**

(Please refer to attached individual financial report for details)

Chairman: WANG/GUANG-SHIAH **Manager: CHEN/FU-SHEN** **Accounting Supervisor: TSAI/CHIA-FEN**

Machvision Inc. Co., Ltd.
Individual financial report notes
Year 2017 and year 2018
(All amounts are in NT$ thousand unless otherwise stated)

1. Company history

Machvision Inc. Co., Ltd. (hereinafter referred to as the Company) was established on June 9, 1998 in accordance with the provisions of the Company Law. The registered address is No. 2, No. 2, Industrial East 2nd Road, Science Park, East District, Hsinchu City. The company's main business items are optical inspection machinery, equipment manufacturing, equipment maintenance and wholesale sales.

2. Date and procedure for passing the financial report

This individual financial report was published by the board of directors on February 13, 2019.

3. Application of new release and revision criteria and interpretation

(1) The impact of new and revised standards and interpretations approved by the Financial Supervisory Board

The company has been fully adopted by the Financial Supervisory Commission since year 2018 (hereinafter referred to as the Financial Management Association) to prepare individual financial reports for international financial reporting standards recognized in year 2018. In addition, the company is based on a question and answer set issued by the Financial Management Council on December 12, 2017, the amendment “Advance Repayment Characteristics with Negative Compensation” was applied in advance in year 2018. The differences between this version and previous version are listed below:

New Release/Amendment/Amendment Guidelines and Interpretation	Effective date issued by the International Accounting Standards Board
Amendment to International Financial Reporting Standard No. 2 "Classification and Measurement of Share-based Payment Transactions"	Jan. 01, 2018
Amendment to International Financial Reporting Standard No. 4 “Application of International Financial Reporting Standard No. 9 “Financial Instruments” under International Financial Reporting Standard 4 “Insurance Contracts”	Jan. 01, 2018

International Financial Reporting Standard No. 9 "Financial Instruments"	Jan. 01, 2018
Amendment to International Financial Reporting Standard No. 9 "Advance repayment characteristics with negative compensation"	Jan. 01, 2019
International Financial Reporting Standard 15 "Revenue of Customer Contracts"	Jan. 01, 2018
Amendments to International Accounting Standard No. 7 "Exposure Initiative"	Jan. 01, 2017
Amendments to International Accounting Standard No. 12 “Recognition of Deferred Income Tax Assets for Unrealized Losses”	Jan. 01, 2017
Amendment to International Accounting Standard No. 40 “Transfer of Investment Real Estate”	Jan. 01, 2018
Annual Improvements to the International Financial Reporting Guidelines 2014 to 2016 Cycle:	
Amendment to International Financial Reporting Standard No. 12	Jan. 01, 2017
Amendments to International Financial Reporting Standard No. 1 and Amendments to International Accounting Standard No. 28	Jan. 01, 2018
International Financial Report Interpretation No. 22 "Foreign Currency Transactions and Advance Collection (Pay) Considerations"	Jan. 01, 2018

Except for the following items, the application of the above-mentioned newly recognized International Financial Reporting Standards will not cause significant changes to individual financial reports. The nature and impact of the major disruptors are as follows:

1. International Financial Reporting Standards No. 15 "Revenue of Customer Contracts"

The standard replaces International Accounting Standards No. 18 “Revenue” and International Accounting Standards No. 11 “Construction Contracts” and related explanations. The method, time and amount of revenue recognition of the company are determined in five steps using a single analytical model. The Company's cumulative impact method applies to International Financial Reporting Standards No. 15. Therefore, the comparison information for the previous period does not need to be rewritten and continues to apply International Accounting Standards No. 18, International Accounting Standards No. 11 and related explanations. The cumulative impact of the initial application of International Financial Reporting Standards No. 15 is to adjust the retained earnings on January 1, 2018.

The Company has adopted a practical expediency approach to the completed contract, which means that the completed contract on January 1, 2018 will not be applied retroactively.

The nature and impact of this accounting policy change are as follows:

(i) Selling goods

For sales of customized products, revenue was previously recognized primarily when the goods were delivered to the customer's site, and the customer accepted the product at that point. Moreover, the significant risks and rewards of the relevant ownership have been transferred to the customer. It is necessary to recognize the income at that point in time, because the income and cost at that time can be reliably measured, and the consideration is likely to be recovered, and the management of the commodity is no longer continued. Under International Financial Reporting Standard No. 15, it is recognized when a customer gains control over a product. Part of the customized product contract produced by the order, the customer can control all WIPs still in production. In this case, the company will evaluate the products according to International Financial Reporting Standards No. 15. The revenue is recognised at the time, which will result in the revenue and related costs of the contracts being earlier than in the past. This means that the recognition time will be earlier than when the goods are delivered to the customer's site. The Company's analysis of contracts that have not been completed on the initial application date does not recognize the difference in income and related costs from the past.

The company will provide warranty service when the product is sold. In the past, it was estimated that the warranty liability was prepared based on the probability of product repair or replacement. Under International Financial Reporting Standards No. 15, the warranty is defined as a warranty for the type of warranty and the type of service. If it is a type of labor protection, it must be treated as a performance obligation. The Company analyzes the aforementioned transactions in order to provide a standard warranty that is consistent with the agreed specifications and, therefore, does not affect individual financial reporting.

(ii) Impact on financial reporting

The adoption of International Financial Reporting Standards No. 15 did not affect the company's individual financial reporting in 2018.

2. International Financial Reporting Standards No. 9 "Financial Instruments"

International Financial Reporting Standards No. 9 “Financial Instruments” (hereinafter referred to as International Financial Reporting Standards No. 9 or IFRS 9) replaces International Accounting Standards No. 39 “Financial Instruments: Recognition and Measurement” (hereinafter referred to as International Accounting) Standards No. 39 or IAS 39). In this way, the classification and measurement of financial instruments, impairment and hedge accounting are revised.

Based on the adoption of International Financial Reporting Standards No. 9, the Company adopted the revised International Accounting Standards No. 1 “Expression of Financial Statements”. The standard stipulates that the impairment of financial assets is presented as a line item in Statement of Comprehensive Income, which previously stated the impairment of the receivables to the management expenses. In addition, the Company has adopted the revised International Financial Reporting Standards No. 7 “Financial Instruments: Exposure” to expose 2018 information, which generally does not apply to comparative information.

The Company applies the major changes in accounting policies resulting from the International Financial Reporting Standards No. 9. The relevant instructions are as follows:

(i) Classification of financial assets and liabilities

The standard mainly allows financial assets to be classified as 1. measured at write-off costs, 2. at fair value through other comprehensive income, and 3. at fair value through profit or loss. The classification of financial assets under International Financial Reporting Standards No. 9 is based on the business model in which the financial assets are held and their contractual cash flow characteristics. Moreover, the classification of held-to-maturity dates, loans and receivables, and financial assets for sale are required to be deleted. According to the standard, if the main contract included in the hybrid contract is a financial asset within the scope of the standard, it is not split into embedded derivatives, but belongs to the category of evaluating the overall hybrid financial instrument. The Company's accounting policies for the classification, measurement and recognition of related financial assets and losses under International Financial Reporting Standards No. 9. Please refer to the sixth item in Note 4 for the relevant instructions.

The adoption of International Financial Reporting Standards No. 9 has no material impact on the Company's accounting policies for financial liabilities.

(ii) Loss of financial assets

The standard forward-looking model of expected credit losses replaces the pattern of impairment losses that have been mentioned in the current International Accounting Standards No. 39. The new impairment model applies to financial assets, contract assets and debt instrument investments measured at fair value through other comprehensive income, but does not apply to equity instrument investments. Under International Financial Reporting Standards No. 9, the credit loss recognition time will be earlier than the recognition time specified in International Accounting Standards No. 39. Please refer to the sixth item in Note 4.

(iii) Transition processing

In addition to the following items, it is usually the retroactive application of International Financial Reporting Standards No. 9:

- The difference in the carrying amount of financial assets arising from the application of International Financial Reporting Standards No. 9 is the retained earnings and other equity items recognized on January 1, 2018. Accordingly, the information expressed in 2017 does not normally reflect the requirements of International Financial Reporting Standards No. 9. Therefore, the information disclosed in the application of International Financial Reporting Standards No. 9 in 2018 is not comparable.
- The following matters are assessed on the basis of the facts and circumstances existing on the first application date:

– Determining which business model a financial asset is held in.

– Designation and withdrawal of financial assets and financial liabilities previously designated as at fair value through profit or loss.

– Some of the equity instruments that are not held for trading have been designated at fair value through other comprehensive income.

(iv) International Financial Reporting Standards No. 9 Classification of Financial Assets on First Applicable Date

Financial assets of the type measured by International Accounting Standards No. 39 are transferred to the financial assets of the International Financial Reporting Standards No. 9. The new measurement type, book value and description of the financial assets on January 1, 2018 are as follows (the measurement types and book amounts of financial liabilities have not been changed):

	IAS39		IFRS9	
	Measure type	**Carrying value**	**Measure type**	**Carrying value**
Monetary assets				
Equity instrument investment	Measured by cost (Note 1)	9,644	Through profit and loss as measured by fair value	9,644
Net receivables	Loans and receivables (Note 2)	727,965	Amortized cost	727,965

Note 1: The Company classifies the equity instruments as at fair value through profit or loss on the initial application date in accordance with International Financial Reporting Standards No. 9. However, the aforementioned changes have no material impact on the assets and interests on January 1, 2018.

Note 2: When applying International Accounting Standards No. 39, the net amount of receivables is classified as loans and receivables. The current approach is classified as financial assets measured at amortized cost.

The reconciliation of the carrying amount of financial assets on January 1, 2007 from the International Accounting Standards No. 39 to the International Financial Reporting Standards No. 9 is as follows:

	106.12.31			**107.1.1**	**107.1.1**	**107.1.1**
	IAS 39 Carrying value	**Rearrange**	**Remeasure**	**IFRS 9 Carrying value**	**Retain earnings adjustments**	**Other equity adjustments**
Financial assets measured at fair value through profit or loss						
Measuring the initial number of IAS 39 by fair value through profit and loss	$ -	-	-		-	-
Addition - equity instrument investment:						
Transfer of financial assets measured by cost	-	9,644	-		-	-
Total	$ -	9,644	-	9,644	-	-
Financial assets measured at fair value through other comprehensive gains and losses						
Available for sale (including cost) IAS 39 initials	$ 9,644	-	-		-	-
Deduction - Debt Tool Investment:						
Reclassification to fair value through profit or loss - reclassification based on classification criteria	-	(9,644)	-		-	-
Total	$ 9,644	(9,644)	-	-	-	-
Financial assets measured by amortized cost						
Net receivables IAS 39 beginnings	$ 727,965	-	-	727,965	-	-

(ii) Impact of FSC-approved International Financial Reporting Standards not yet adopted

According to the Order of Chin Guan Shen Tzi Di 1070324857 on July 17, 2018, the above companies should adopt the International Financial Reporting Standards approved by the FSC and effective in 2019 from 2019. The relevant criteria and explanations are listed below:

New Release/Amendment/Amendment Guidelines and Interpretation	Effective date of publication by the Board of Directors
International Financial Reporting Standards No. 16 "Leases"	January 1, 2019
International Financial Reporting Interpretations No. 23 “Treatment of Income Taxes with Uncertainty”	January 1, 2019
Amendment to International Accounting Standards No. 19 "Planning, Reduction or Reimbursement"	January 1, 2019
Amendment to International Accounting Standards No. 28 “Long-term interests in affiliated companies and joint ventures”	January 1, 2019
International Financial Reporting Standards 2015 Annual Improvements	January 1, 2019

Except for the following items, those who apply the above-mentioned newly recognized International Financial Reporting Standards will not cause significant changes to individual financial reports. The nature and impact of the major changes caused are as follows:

1. International Financial Reporting Standards No. 16 "Leases"

The standard will replace the current International Accounting Standards No. 17 “Leases”, International Financial Reporting Interpretations No. 4 “Determining whether an arrangement includes leases”, Interpretation No. 15 “Operating leases: incentives” and explanations No. 27 "Assessing the substance of the transaction involving the legal form of the lease".

The new standard should use the single accounting treatment model for the lessee to recognize the lease transaction on the balance sheet and use the right-of-use asset to express its right to use the underlying asset. At the same time, the obligation to pay the lease payment is expressed by the lease liability. In addition to the above, the fees related to these leases will be expressed by depreciation and interest in lieu of the current operating leases on a straight-line basis. In addition, provision for exemptions for short-term leases and low-value underlying asset leases is provided. The accounting treatment for the lessor is similar to the current transfer, that is, the lessor should still classify the lease as an operating lease or a finance lease.

(1) Determine whether the contract includes a lease

During the transition period of the new standard, the company has to choose:

- for all contracts applicable to the lease definitions specified in the new standard; or
- Practice the practice of expediency without reassessing whether the contract is or includes a lease.

The Company expects to use the practice expediency to exempt the re-assessment of the lease definition during the transition. That is, the Company applies the current lease definitions for all contracts entered into before January 1, 2019.

(2) Transition processing

When the company conducts the contract of the lessee, it has to choose for all contracts:

- completely traced; or
- Revised traceability and one or more practical expediencies

The Company expects to adopt a modified retrospective transition to the new standard. Therefore, the cumulative impact of adopting the new standard will be recognized as the opening of the retained earnings on January 1, 2019, without rewriting the comparison period information.

When using modified retrospective, the current standard is classified as a contract for operating leases based on individual contracts, and whether one or more practical expediencies are used in the transition. The company usually evaluates the following practical expediencies:

- use a single discount rate for lease combinations with similar characteristics;
- According to the evaluation results of the IAS37 loss-making contract before the first application date, as an alternative to the impairment assessment of the right-of-use asset;
- For leases that are closed within 12 months after the initial application date, the exemption is not recognized and the right-of-use assets and lease liabilities are recognized;
- The original direct cost is not included in the measurement of the right-of-use asset on the initial application date;
- When the lease contract includes the lease extension or termination option, the latter shall be used when determining the lease term.

(3) So far, the most significant impact of the Company's assessment of the applicable new standards is the recognition of the right-of-use assets and lease liabilities for the current operating lease office, staff quarters and official vehicles. It is estimated that the above difference may increase the use rights assets and lease liabilities by NT$68,67,000 on January 1, 2019.

(iii) New Release and Revision Guidelines and Interpretations Not Recognized by FSC

The following table lists the standards and explanations that have been published and revised by the International Accounting Standards Board (hereinafter referred to as Board) but have not been approved by the FSC.

New Release/Amendment/Amendment Guidelines and Interpretation	**Effective date of publication by the Board of Directors**
Amendment No. 3 of International Financial Reporting Standards "Definition of Business"	January 1, 2020
Amendment to International Financial Reporting Standards No. 10 and International Accounting Standards No. 28 “The sale or investment of assets between investors and their affiliates or joint ventures”	Still waiting for Board to decide
International Financial Reporting Standards No. 17 "Insurance Contract"	January 1, 2021
Amendment to International Accounting Standards No. 1 and International Accounting Standards No. 8 "Definition of Materiality"	January 1, 2020

The new release and revision guidelines and interpretations that have not been approved by the FSC listed above are not relevant to the Company.

IV. Summary and explanation of major accounting policies

The main accounting policies used in this individual financial report are summarized and described below. The following accounting policies have been consistently applied to all expressed periods of this individual financial report.

(i) About compliance statement

The individual financial report is based on the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(ii) Compilation basis

1. The basis of measurement

This individual financial report is prepared on the basis of historical cost, unless otherwise stated (see the description of each project's accounting policies).

2. Functional currency and expression currency

The company's currency based on the primary economic environment in which it operates is considered a functional currency. This individual financial report is expressed in the company's functional currency, which is NTD. All financial information expressed in New Taiwan Dollars is denominated in NT$1,000.

(iii) Foreign currency

1. Foreign currency transaction

Foreign currency transactions are converted to functional currencies at the exchange rate on the transaction date. In the end of the reporting period (hereinafter referred to as the reporting date), foreign currency monetary items shall be converted into functional currency at the exchange rate of the day. The exchange gains and losses refer to the difference between the amortized cost in the functional currency at the beginning of the period and the amount of the effective interest and the payment after adjustment in the current period and the amortized cost in foreign currency denominated at the exchange rate on the reporting date. Non-monetary items measured at fair value are retranslated into functional currencies based on the exchange rates at the date of fair value, and non-monetary items measured at historical cost are translated at the exchange rates at the dates of the transactions. Except for non-monetary reserve financial assets, financial liabilities designated as foreign investment institutions, or qualified cash flow hedges, the foreign currency exchange differences arising from the conversion are recognized in other comprehemsive income, and the rest Recognized as profit and loss.

2. Foreign operating agencies

The assets and liabilities of foreign operating institutions, including goodwill and fair value adjustments arising from the acquisition, are translated into presentation currency based on the exchange rate at the reporting date. Except for the highly inflated economy, the income and loss items are converted into presentation currency according to the average exchange rate of the current period, and the exchange difference generated is recognized as other comprehensive income.

For monetary receivables or payables for foreign operating agencies, if there is no settlement plan and it is not possible to pay off in the foreseeable future, the foreign currency exchange gains and losses generated by it are regarded as part of the net investment of the foreign operating institution and are therefore recognized as other comprehensive income.

(iv) The classification of assets and liabilities that distinguish between liquidity and non-flow

Current assets include cash or cash equivalents, but are not included in the settlement of debts or other restrictions within 12 months after the date of balance sheet. They are held for trading purposes and are expected to be ten days after the balance sheet date. Assets that will be converted into cash within two months. Those who are not current assets are non-current assets.

Current liabilities arise mainly for trading purposes and must be repaid in excess of twelve months after the date of balance sheet within twelve months and without unconditional extension. Non-current liabilities are non-current liabilities.

(E) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that can be converted into fixed cash at any time with little risk of changes in value.

Bank time deposits for the Company are classified as fixed cash and have little change in value to meet short-term cash commitments rather than investment or other purposes. Therefore, it is reported in cash and cash equivalents.

(vi) Financial tool

1. Financial assets (applicable after January 1, 2018)

Financial assets held by the Company are classified as: financial assets measured at amortised cost and financial assets measured at fair value through profit or loss.

When the Company only changes the business model of managing financial assets, it will reclassify all affected financial assets according to regulations.

(1) Financial assets measured by amortized cost

Financial assets are measured at amortized cost when they meet the following conditions and are not designated at fair value through profit or loss:

・ belongs to the financial assets held under the business model for the purpose of collecting contractual cash flows.

・ The cash flow on a specific date arising from the contractual terms of the financial asset is the interest paid solely for the principal and the outstanding principal amount.

The original recognition is measured by the transaction cost directly attributable to the fair value plus. Subsequent, the effective interest rate method is used to measure the cost after amortization minus the impairment loss. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit or loss. In the case of delisting, the benefits or losses are included in the profit and loss.

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

Financial assets that are not measured at amortised cost or measured at fair value through other comprehensive gain or loss are measured at fair value through profit or loss. In the original recognition, in order to eliminate or significantly reduce the accounting ratio is not appropriate, financial assets of the Company that are measured at fair value through the measurement of amortised cost or through other comprehensive income may be designated as at fair value through profit or loss.

When the original is recognized as being measured at fair value, the transaction costs are recognized as profit or loss when incurred. Subsequent to the measurement of fair value, the profit or loss arising from the measurement is recognized as profit or loss (including related dividend income and interest income).

(3) Impairment of financial assets

The Company recognizes the allowance for the expected credit losses of financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, long-term receivables, other receivables, refundable deposits and other non-current assets, etc.).

The following financial assets are measured against the 12-month expected credit loss to measure the allowance loss, and the rest are measured by the expected amount of credit loss during the duration:

・Determining the credit risk of debt securities on the reporting date is low; and

• The credit risk of other debt securities and bank deposits has not increased significantly since the original recognition (for example, the default risk occurred beyond the expected duration of the financial instrument).

The allowance for losses on accounts receivable and contract assets is measured by the amount of expected credit losses during the lifetime.

The expected credit loss during the period of existence is the expected credit loss arising from all possible defaults during the expected duration of the financial instrument.

The 12-month expected credit loss is the expected credit loss arising from the possible default of the financial instrument within the 12 months following the reporting date. (or a shorter period if the expected duration of the financial instrument is less than twelve months).

The longest period of measurement of expected credit losses is the longest contract period in which the company is exposed to credit risk.

When it is determined whether the credit risk has increased significantly since the original recognition, the Company considers reasonable and provable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and based on the historical experience of the company. , credit assessment and analysis of forward-looking information.

If the contract amount is overdue for more than 30 days, the Company can assume that the credit risk of the financial assets has increased significantly.

If the contract amount is overdue for more than 90 days or the borrower is unlikely to perform its credit obligations to pay the full amount to the company, the company may be deemed to have defaulted on the financial asset.

The expected credit loss is a probability weighted estimate of the credit loss expected during the financial instrument's lifetime. Credit losses are measured by the present value of all cash shortfalls, which is the difference between the cash flows that the Company can receive based on the contract and the cash flows expected to be received by the Company. Expected credit losses are converted to new ones based on the effective interest rate of financial assets.

On each reporting date, the Company will assess whether the financial assets are credit-deductible based on the amortized cost. When one or more events that have an adverse effect on the estimated future cash flows of a financial asset have occurred, the financial asset is credit-derogated. Evidence of credit impairment on financial assets includes observable information on:

・ significant financial difficulties for the borrower or issuer;

・ breach of contract, such as delay or overdue for more than 90 days;

・ economic or contractual reasons related to the financial difficulties of the borrower, resulting in the company giving the borrower a concession that would not have been considered;

・ The borrower is likely to claim bankruptcy or other financial restructuring; or

・ The active market for this financial asset disappeared based on financial difficulties.

The allowance for financial assets measured as amortized cost is deducted from the carrying amount of the asset. The provision of the allowance or the reversal amount is recognized in profit or loss.

If the Company cannot reasonably expect the total or part of the recovered financial assets, it will directly reduce the total book value of its financial assets. Usually, the condition is that the Company determines that the debtor's assets or sources of income cannot generate sufficient cash flow to repay the amount of the write-off. However, the written-off financial assets can still be enforced to comply with the Company's procedures for recovering the overdue amount.

(4) Delisting of financial assets

Financial assets are excluded only when the contractual right from the cash flow of the asset is terminated, or the financial asset has been transferred and almost all the risks and rewards of ownership of the asset have been transferred to other companies.

2. Financial assets (applicable before January 1, 2018)

The financial assets of the Company are classified as: financial assets and receivables measured by cost.

(1) Financial assets measured by cost

An equity commodity investment that cannot reliably measure fair value is measured at the cost of the original recognition. If there is objective evidence of impairment, the impairment loss is recognized and the impairment loss is not reversed. Stock dividends are only noted as an increase in the number of investment shares and are not classified as investment income. The cost of the sale is calculated by the weighted average method.

(2) Receivables

A financial asset that is openly quoted in the no active market and has a fixed or determinable payment amount. The original recognition is measured by the fair value plus the directly attributable transaction cost. Subsequent evaluation is measured by the effective interest method using the amortized cost minus the impairment loss. Only if the recognition of interest on short-term receivables is not significant. When purchasing or selling financial assets in accordance with trading practices, accounting treatment is used on the trading day.

The interest income series is for non-operating income and benefits.

(3) Impairment of financial assets

The financial assets of the company are assessed for impairment on each reporting date. If there is objective evidence that the estimated future cash flows of the asset are attributable to the loss due to the single or multiple events that occurred after the original recognition of the financial asset, the financial asset is depreciated.

Objective evidence of impairment of financial assets includes significant financial difficulties of the issuer or debtor, default (such as delays or non-payment of interest or principal payments), a significant increase in the likelihood that the debtor will enter bankruptcy or other financial restructuring, and Difficulties have caused the active market of the financial assets to disappear. It is also an objective evidence of impairment if the fair value of the equity investment is substantially or permanently reduced below its cost.

After the individual assessment of the receivables has not been derogated, the combination is used to assess the impairment. Evidence of objective impairment of a portfolio of receivables may include past experience of the combined company's past collections, an increase in delayed payments over the period of the average credit period, and changes in national or regional economic conditions associated with arrears of receivables.

The amount of impairment loss recognised for a financial asset measured by cost is the difference between the carrying amount of the asset and the present value of the estimated future cash. The impairment loss shall not be reversed during the subsequent period.

The impairment loss of all financial assets is directly deducted from the carrying amount of the financial assets, but the accounts receivable is reduced by the allowance account. When it is judged that the accounts receivable cannot be recovered, the allowance account is written off. The amount that was originally written off and subsequently recovered is credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The bad debt loss and recovery series of receivables are reported under operating expenses.

(4) Delisting of financial assets

The Company will exclude the financial assets only if the contractual rights from the cash flow of the asset are terminated, or the financial assets have been transferred and almost all the risks and rewards of ownership of the assets have been transferred to other enterprises.

3. Financial liabilities and equity instruments

(1) Other financial liabilities

When the financial liabilities are not held for trading and are not designated at fair value through profit or loss (including notes payable, accounts payable and other payables), the original recognition is measured at fair value plus directly attributable transaction costs. . Subsequent evaluations are measured at the effective interest rate method as amortized cost. Interest expenses that are not capitalized as asset costs are classified as non-operating income and expenses.

(2) Delisting of financial liabilities

The Company will exclude financial liabilities when the contractual obligations have been fulfilled, cancelled or expired.

The difference between the carrying amount and the total amount of the consideration paid or payable, including any transferred non-cash assets or liabilities assumed, is recognised in profit or loss and is included in non-operating income and expense.

(3) Mutual credit for financial assets and liabilities

Financial assets and financial liabilities are mutually exclusive and netted in the balance sheet when the combined company has a legal right to each other and intends to deliver on a net basis or simultaneously realise the assets and liquidate the liabilities.

(vii) Deposit

The original cost of the Company's inventories is the necessary expenses incurred in bringing the inventory to a state and location available for sale or for production. Among them, the variable manufacturing costs are based on the actual capacity. The fixed manufacturing costs are allocated to finished goods and work in progress according to the normal production capacity of effective working hours. However, undistributed fixed manufacturing expenses due to low production capacity or idle equipment shall be recognized as cost of goods sold in the period in which they occur. When the actual production capacity is higher than the normal production capacity, the fixed production cost should be shared by the actual production capacity. The cost is calculated using the weighted average method.

The post-continuation measurement of inventories should be evaluated on a case-by-case basis in terms of cost and net realizable value. The net realisable value is calculated based on the estimated selling price under normal business at the balance sheet date and the cost and sales expenses of the completed investment. If the cost of inventories exceeds the net realizable value, the inventory cost should be reduced to the net realizable value and the amount of the write-down should be recognized as the current cost of goods sold. When the net realizable value increases during the subsequent period, the net realizable value of the revolving inventory is increased within the range of the original deduction amount, and is recognized as the decrease in the cost of goods sold during the recovery.

(viii) Investment subsidiary

In the process of preparing individual financial reports, the Company evaluates the equity method by controlling the investee company. Under the Equity Method, the current profit and loss of the individual financial report and other comprehensive gains and losses are the same as the share of the current profit and loss and other comprehensive gains and losses in the financial report prepared by the consolidated basis. Moreover, the individual financial report owner's equity is the same as the equity of the parent company owner in the financial report prepared by the consolidated basis.

If the Company changes its ownership interest in a subsidiary without causing loss of control, it shall be treated as an interest transaction with other owners of the subsidiary.

(ix) Real estate, plant and equipment

1. Recognition and measurement

The recognition method and measurement of real estate, plant and equipment are cost models and are measured by the amount of accumulated depreciation and accumulated impairment after cost. The cost here includes expenditures that can be directly attributable to the acquisition of assets. The acquisition and construction of assets is capitalized until the interest expense incurred during the period in which the asset is ready for use. Maintenance and repair expenses are classified as current expenses, and significant additions, improvements and replacement expenses are capitalized.

Separate items (main components) of real estate, plant and equipment are considered when it is more appropriate to use different depreciation rates or depreciation methods if the total cost of the project is significant and the total cost of the project is significant. deal with.

The disposal gains and losses of the property, plant and equipment are determined by the difference between the carrying amount of the property, plant and equipment and the disposal price, and are recognized as other benefits and losses on a net basis.

2. Subsequent costs

Future economic benefits expected from subsequent expenditures on real estate, plant and equipment projects are likely to flow into the Company. Moreover, if the amount can be reliably measured, the expense is recognized as the carrying amount of the item, and the carrying amount of the reset part is delisted. The daily maintenance costs of the property, plant and equipment are recognized as profit or loss when incurred.

3. Depreciation

The method of depreciation is calculated by the straight-line method based on the estimated durability period based on the cost of assets minus the residual value, and is assessed based on the significant components of the assets. If the component's durability is different from the rest of the asset, then this component should be separately depreciated. Depreciation is recognized as profit or loss.

The estimated durability periods for the current and comparative periods are as follows:

House and building	Four to fifty years
Machine and R&D equipment	Three to fifteen years
Office and other equipment	Three to five years

At least on the reporting date of each year, the company will review the depreciation method, durability and residual value. If the expected value is different from the previous estimate, the Company will make appropriate adjustments as necessary, and the change will be handled in accordance with the changes in accounting estimates.

(x) Intangible assets

This is the capital price and computer software cost approved by the shareholders of the Company at the technical price and applied for by the Ministry of Economic Affairs. They are amortized on a straight-line basis over 20 years and three to ten years respectively, and are accounted for under operating expenses.

At least on each annual reporting date, the Company should review the residual value, amortization period and amortization method of intangible assets. If there is any change, it is regarded as a change in accounting estimates.

(xi) Non-financial asset impairment

For non-financial assets other than assets arising from inventories, deferred income tax assets, and employee benefits, the company can estimate the recoverable amount if it has any signs of impairment (individual assets or cash-generating units) on each reporting date. The impairment loss can be recognized for assets whose recoverable amount is lower than the book value. If the accumulated impairment loss recognized in the previous year has not existed or reduced, it can be reversed and the book value of the asset will be increased to the recoverable amount. However, the asset shall not exceed the impairment loss recognized and the amount depreciated or amortized should be deducted.For non-financial assets other than assets arising from inventories, deferred income tax assets, and employee benefits, the company can estimate the recoverable amount if it has any signs of impairment (individual assets or cash-generating units) on each reporting date. The impairment loss can be recognized for assets whose recoverable amount is lower than the book value. If the accumulated impairment loss recognized in the previous year has not existed or reduced, it can be reversed and the book value of the asset will be increased to the recoverable amount. However, the asset shall not exceed the impairment loss recognized and the amount depreciated or amortized should be deducted.

(xii) Debt preparation

If the recognition of the liability provision has a current obligation due to past events, it is very likely that the company will need to withdraw economically beneficial resources in the future to settle the obligation, and the amount of the obligation can be reliably estimated. The liability provision is discounted to reflect the current market pre-tax discount rate for the time value of money and the specific risk assessment of the liability, and the discounted amortisation is recognized as interest expense.

When the security liability is prepared for recognition when selling goods or services, the liability provision should be weighted according to historical guarantee information and all possible outcomes based on their associated probability.

(xiii) Income recognition

1. Revenue from customer contracts (applicable after January 1, 2018)

This income is measured by the expected price that is expected to be obtained in accordance with the transfer of goods or services. The Company recognizes income when it transfers control of goods or services to customers and meets performance obligations. The company's main income items are as follows:

(1) Sales of goods

The company recognizes revenue for the transfer of control of the product. The product's transfer of control represents that the product has been delivered to the customer, and the customer can fully determine the sales channel and price of the product. Moreover, the company has no impact on the customer's unfulfilled obligations to accept the product. Delivery takes place when the product is shipped to a specific location and its obsolescence and loss risk has been transferred to the customer.

The Company will provide a standard warranty in accordance with the agreed specifications when the product is sold, and the warranty liability is recognized for this obligation.

The company shall recognize the accounts receivable when delivering the goods, because the company has the right to unconditionally collect the consideration at that time.

(2) Provision of labor services

The company shall provide labor service such as maintenance of testing equipment and improvement of old machine, which is a fulfillment obligation that is recognized when the control of the labor is transferred to the customer.

2. Revenue recognition (applicable before January 1, 2018)

This is the income generated from the sale of goods during normal activities and is measured at the fair value of the consideration received or receivable, after consideration of returns, commercial discounts and quantity discounts. Product sales are recognized as sales revenue when the goods have been delivered and the risk remuneration has been transferred, while the labor service recognizes the revenue when the labor service is completed and the price can be reasonably determined.

(xiv) Employee Benefits

1. Determined drawing plan

The obligation to make a payment for the determination of the pension plan is the employee benefit expense recognized as profit or loss during the employee's service period.

2. Determined welfare plans

Based on the net obligation under the defined benefit pension plan, the Company calculates the future benefit amount earned by the employee's current or past service for each benefit plan. The fair value of any planned assets is deducted. As for the discount rate, the maturity date is close to the company's net obligation period, and the market yield of the government bonds with the same denominated currency and the expected payment of the welfare is mainly based on the interest rate on the reporting date.

Based on the company's net obligations, it is actuated annually by qualified actuaries using the projected unit welfare method. If the calculation results are beneficial to the Company, the recognition of the assets is limited to the total amount of economic benefits available from the funds that can be returned from the plan in the future or the reduction of future plans for the plan. When calculating the present value of economic benefits, consideration should be given to any minimum funding requirements applicable to any of the Company's plans. As long as an benefit can be realized during the planning period or when the project debt is paid off, it will be economically beneficial to the company.

For the improvement of the welfare of the project content, if the employee's past service increases the welfare, the related expenses are immediately recognized as profit and loss.

The remeasurement of net defined benefit liabilities (assets) includes (1) actuarial gains and losses; (2) planned asset remuneration, excluding the amount of net interest included in net defined benefit liabilities (assets); and (3) asset cap impact Any change in the number. It does not include the amount of net interest included in the net defined benefit liability (asset). The net determined benefit liabilities (assets) remeasurement is recognized under other comprehensive gains and losses. The company will determine that the remeasurement of the benefit plan is recognized in the retained earnings.

When the reduction or settlement occurs, the reduction or settlement of the profit and loss of the defined benefit plan is recognized. The reduction or settlement of profit or loss includes changes in the fair value of any planned assets and changes in the present value of the defined benefits obligation.

3. Short-term employee benefits

The short-term employee's welfare obligations are measured on an undiscounted basis and are recognized as expenses when the related services are provided.

For the amount expected to be paid under the short-term cash dividend or dividend plan, when the employee has the current statutory or presumed payment obligation due to the past service provided by the employee and the obligation can be reliably estimated, the amount is recognized as Liabilities.

(xv) Income tax

The expenses for income tax, including current and deferred income tax. The current income tax and deferred income tax should be recognized in profit or loss, except for those that are related to the combination of the enterprise and directly recognized in equity or other comprehensive profit or loss.

Therefore, the current income tax includes the estimated taxable income or taxable receivables calculated from the statutory tax rate (loss) of the current year on the reporting date or the substantive legislative rate, and any adjustment to the income tax payable in previous years.

The deferred income tax is measured and recognized based on the temporary difference between the carrying amount of assets and liabilities in The temporary difference arising from the following circumstances will not be recognized as deferred income tax:

1. The assets or liabilities originally recognized for transactions that are not a business combination, and do not affect the accounting profits and taxable income (loss) at the time of the transaction.

2. Due to the investment of subsidiaries and joint venture interests, and is likely to be not reverted in the foreseeable future.

3. Original recognition of goodwill.

The deferred income tax is measured on the basis of the expected asset realization or the current tax rate of the debt settlement, and is based on the statutory tax rate or the substantive legislative tax rate on the reporting date.

Deferred income tax assets and deferred income tax liabilities can be offset if they meet the following conditions:

1. Have the statutory enforcement right to offset the current income tax assets and current income tax liabilities;

2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers subject to income tax from the same tax authority;

(1) the same taxpayer; or

(2) Different taxpayers, but each entity intends to settle the current income tax liabilities and assets on a net basis in each future period of the expected recovery of the deferred income tax assets and the expected settlement of the deferred income tax liabilities, or Realize assets and pay off liabilities.

For unused tax losses and unused income tax deductibles, the deferred tax assets are recognized as deferred tax assets in the extent that it is probable that future taxable income will be available. It should be reassessed on each reporting day and reduced within the scope of the relevant income tax benefits that are not likely to be realized.

(xvi) Earnings per share

The basic and diluted earnings per share attributable to holders of ordinary shares of the Company are shown. The basic earnings per share is calculated by dividing the profit and loss attributable to holders of ordinary shares of the Company by the weighted average number of shares outstanding in common shares. When buying back treasury stocks, the number of shares in circulation is reduced. The newly added shares due to the surplus or capital reserve transferred to the capital increase are traced back and adjusted. The base date for the undistributed surplus or capital reserve to increase capital is also traced back and adjusted before the date of the financial statement.

When the Company's employee compensation is treated as a potential ordinary share in calculating the diluted earnings per share, the employee's compensation shall be included in the weighted average outstanding shares when the potential ordinary shares have a dilution effect to calculate the diluted earnings per share. When calculating the diluted earnings per share, the closing price of the potential ordinary shares on the day before the employee's remuneration is determined by the board of directors as the basis for the calculation of the number of shares issued.

(xvii) Department information

The company has disclosed departmental information in the consolidated financial report, so individual financial reports will not disclose departmental information.

V. Major sources of uncertainty in significant accounting judgments, estimates and assumptions

Management must make judgments, estimates and assumptions when preparing this individual financial report in accordance with the Regulations Governing the Preparation of

Financial Reports by Securities Issuers. It will have an impact on the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

The management should continue to review the estimates and underlying assumptions, and the accounting estimates should be recognized for changes in the period of change and in the future periods affected.

There is no accounting policy in this individual financial report that involves significant judgment, and the recognition of the amount has a significant impact on the information.

For the uncertainty of assumptions and estimates, if there is a significant risk, the major adjustments will be made in the next year, mainly after the inventory is measured.

If the post-continuation measurement is based on the lower cost and net realizable value, the company should assess the amount of inventory lost due to normal wear or no market sales value on the reporting date, and reduce the inventory cost to the net realizable value. These net realizable values may be subject to changes in subsequent market price changes or supply and demand.

VI. Description of important accounting items

(i) Cash and cash equivalents

		107.12.31	106.12.31
Cash in hand	$	821	873
Demand deposit		266,792	174,814
Check Deposit		500	-
Foreign currency deposit		138,702	119,643
Certificate Deposit		1,234,130	344,827
Cash and cash equivalents as stated in the cash flow statement	$	1,640,945	640,157

The original maturity date is a bank time deposit of three months to one year, which is for the purpose of meeting short-term cash commitments rather than investment or other purposes. This type of time deposit can be converted to fixed cash at any time and the risk of change in value is minimal and is reported in cash and cash equivalents.

Please refer to Note 6(19) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

(ii) Notes receivable, accounts receivable and long-term receivables

		107.12.31	106.12.31
Bills receivable	$	1,837	1,252
Accounts receivable		905,145	656,645
Accounts receivable - related party		152,397	77,149
Long-term receivables		81,776	16,238
Long-term receivables - related party		59,750	3,901

Reserve for doubtful account	12,382	3,674
Unrealized interest income	1,445	218
	$ 1,187,078	751,293

On December 31, 2018, the Company adopted a simplified approach to estimating expected credit losses for all bills receivable, accounts receivable and long-term receivables. That is, the company uses the expected credit loss measurement during the lifetime. For the purpose of this measurement, these notes receivable, accounts receivable and long-term receivables are grouped according to the common credit risk characteristics of the ability to pay all of the maturity amounts on behalf of the customer in accordance with the terms of the contract and have been incorporated into forward-looking information. The Company's accounts receivable-relevant and long-term receivables-related parties are all subsidiaries of the Company and have assessed that there is no credit risk that cannot be recovered. The Company's expected credit losses of notes receivable, accounts receivable and long-term receivables of non-relevant persons as at 31 December 2018 are as follows:

	Accounts receivable Carrying value	**Weighted average expectation Credit loss rate**	**Expected credit loss during the standby period**
Not overdue	$ 679,844	0%	-
Overdue for 90 days	231,929	0.069%	161
Overdue 91~180 days	47,064	0.965%	454
Overdue 181~270 days	7,854	2.901%	228
Overdue 271~365 days	16,473	41.096%	6,770
Overdue more than 365 days	4,769	100.000%	4,769
	$ 987,933		12,382

On December 31, 2017, the reserve for doubtful account for consideration of notes receivable, accounts receivable and long-term receivables has been adopted. The ageing analysis of the Company's overdue but not deductible notes receivable, accounts receivable and long-term receivables as at 31 December 2017 is as follows:

	106.12.31
Overdue for 90 days	$ 4,791
Overdue 91~365 days	3,566
Overdue for more than one year	176
	$ 8,533

The changes in the company's notes receivable, accounts receivable and allowance for long-term receivables are as follows:

		2017		
	2018	**Individual**	**Group**	**Total**

		assessment of impairment losses	loss assessment loss	
Opening balance (according to IAS39)	$ 3,674	84	265	349
Initial adjustment to IFRS 9	-			
Opening balance (according to IFRS 9)	3,674			
Recognition of impairment losses	8,708	3,240	85	3,325
Ending balance	**$ 12,382**	**3,324**	**350**	**3,674**

The impairments recognized in the individual assessments in the reserve for doubtful account are the difference between the book value of the notes receivable, accounts receivable and long-term receivables and the present value of the expected liquidation recovery amount.

Notes receivable, accounts receivable and long-term receivables are not discounted or provided as collateral.

For the short-term current receivable notes and accounts of the Company, the book value assessment is the approximation of fair value.

(iii) Deposit

The company's inventory details are as follows:

		107.12.31	106.12.31
Product	$	42,346	28,208
Semi-finished product		48,853	37,052
Raw material		133,524	110,950
	$	**224,723**	**176,210**

None of the Company's inventories have been provided as a pledge guarantee.

For the Company, in addition to the inventory cost of the inventory from normal sales, the other expenses directly included in the operating cost are as follows:

		2018	2017
Inventory price loss	$	22,081	9,437
Inventory adjustment credits		(89)	(366)
	$	**21,992**	**9,071**

(四) Investment using the equity method

The Company's investment using the equity method on the reporting date is as follows:

		107.12.31	106.12.31
Subsidiary	$	**85,091**	**86,083**

Please refer to the 2018 consolidated financial report.

(五) Financial assets measured at fair value through profit or loss - non-current

		107.12.31
Financial assets that are measured at fair value through profit or loss:		
Domestic non-listed company stock - YAYATECH Co. Ltd	$	**9,644**

(六) Financial assets measured by cost - non-current

	% shareholdin	cost of investment	Amount

December 31, 2017	g % shareholdin			
YAYATECH Co. Ltd	g % shareholdin g % shareholdin g	**$**	**9,644**	**9,644**

The above-mentioned stock investment held by the Company was deducted from the impairment measure at cost according to the public offer provided by the no active market on December 31, 2017. As at 31 December 2018, these assets were reclassified as financial assets measured at fair value through profit or loss.

In March 2012, the company obtained 884 thousand shares of YAYATECH Co. Ltd due to litigation, and its cost of NT$9,644,000 was based on the fair value of the evaluation of the evaluation model.

(vii) Real estate, plant and equipment

Details of the changes in the cost and depreciation of the Company's real estate, plant and equipment are as follows:

	House and building	Machine and R&D equipment	Office and other equipment	Construction in progress	Total
Cost:					
Balance on January 1, 2018	$ 204,561	3,957	9,339	-	217,857
Increase	-	2,700	1,622	27,874	32,196
Dispose	(937)	(2,300)	(1,817)	-	(5,054)
Balance as of December 31, 2018	**$ 203,624**	**4,357**	**9,144**	**27,874**	**244,999**
Balance on January 1, 2017	$ 204,561	3,957	9,130	-	217,648
Increase	-	-	1,059	-	1,059
Dispose	-	-	(850)	-	(850)
Balance as of December 31, 2017	**$ 204,561**	**3,957**	**9,339**	**-**	**217,857**
Depreciation and impairment losses:					
Balance on January 1, 2018	$ 18,530	3,141	4,859	-	26,530
Depreciation this year	4,898	321	1,772	-	6,991
Dispose	(114)	(2,300)	(1,693)	-	(4,107)
Balance as of December 31, 2018	**$ 23,314**	**1,162**	**4,938**	**-**	**29,414**
Balance on January 1, 2017	$ 13,624	2,636	4,115	-	20,375
Depreciation this year	4,906	505	1,594	-	7,005
Dispose	-	-	(850)	-	(850)
Balance as of December	**$ 18,530**	**3,141**	**4,859**	**-**	**26,530**

31, 2017

Carrying value:						
December 31, 2018	$	180,310	3,195	4,206	27,874	215,585
December 31, 2017	$	186,031	816	4,480	-	191,327
January 1, 2017	$	190,937	1,321	5,015	-	197,273

(viii) Intangible assets

The breakdown of costs, amortization and impairment losses of the Company's intangible assets are as follows:

	Industrialization of research findings	Computer software cost	Total
Cost:			
Balance on January 1, 2018 (ie the balance as of December 31, 2018)	$ 16,000	1,100	17,100
Balance on January 1, 2017 (ie December 31, 2017 balance)	$ 16,000	1,100	17,100
Amortization and impairment losses:			
Balance on January 1, 2018	$ 15,847	687	16,534
Amortization in the current period	153	110	263
Balance as of December 31, 2018	$ 16,000	797	16,797
Balance on January 1, 2017	$ 15,472	577	16,049
Amortization in the current period	375	110	485
Balance as of December 31, 2017	$ 15,847	687	16,534
Carrying value:			
December 31, 2018	$ -	303	303
December 31, 2017	$ 153	413	566
January 1, 2017	$ 528	523	1,051

1. Recognition of amortization expenses

The Company's intangible assets amortization expense is reported in the following items of Statement of Comprehensive Income:

	2018	2017
Operating expenses	$ 263	485

2. Impairment loss

After assessing the recoverable amount of the above intangible assets on December 31, 2008, the Company recognized the impairment loss as NT$4,000. No impairment loss was added to the assessment on December 31, 2018 and 2017.

(ix) Debt preparation

The company's debt preparation details are as follows:

		Warranty preparation
Balance on January 1, 2018	$	20,188
New debt provision for the current period		32,983
Provision for liabilities used in the current period		(7,818)
Balance as of December 31, 2018	**$**	**45,353**
Balance on January 1, 2017	$	11,064
New debt provision for the current period		14,067
Provision for liabilities used in the current period		(4,943)
Balance as of December 31, 2017	**$**	**20,188**

The company's estimated warranty liabilities are mainly related to machine sales. The warranty liabilities are based on historical warranty information for similar goods and services. The Company expects that most of this liability will occur in the next year of sale.

(x) Operating lease

On July 1, 2013, the company leased the land in Hsinchu Science Park to Msinchu Science Park Bureau, MOST. During the lease period until May 31, 2019, the monthly rent is NT$140,000. The company also deposited a deposit certificate of NT$1,683,000 as a land use deposit and credited it to other non-current assets-other projects. The payment payables are as follows:

		107.12.31	106.12.31
Within a year	$	700	1,680
One to five years		-	700
	$	**700**	**2,380**

The operating costs and expenses stated in the above operating leases for the year of 2018 and 2017 are at NT$1,680,000.

(xi) Employee Benefits

1. Defined benefit obligations plan

The current value of the defined benefit obligation of the company and the fair value of the planned assets are adjusted as follows:

		107.12.31	106.12.31
Present value of defined benefit obligations	$	12,549	11,595
Fair value of the project assets		(3,052)	(2,838)
Net defined benefit liabilities	**$**	**9,497**	**8,757**

The defined benefit plan will be transferred to Bank Of Taiwan's labor retirement reserve account. The retirement payment for each employee applying Labor Standard Laws shall be based on the base earned for the service year and the average salary for the six months prior to retirement.

(1) Project assets

The retirement funds funded by the Company under Labor Standard Laws are managed by Bureau of Labor Funds, MOL. According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the use of the fund shall be based on the minimum income allocated by its annual final accounts, and shall not be lower than the income calculated based on the local bank's two-year time deposit rate.

As of the reporting date of 2018, the Bank's Bank Of Taiwan's labor retirement reserve account balance was NT$3,052,000. Information on the use of labor pension fund assets includes fund yields and fund asset allocations. For more information, please visit the Bureau of Labor Funds website.

(2)Change of defined benefit obligations

The present value changes of the Company's 2018 and 2017 defined benefit obligations are as follows:

	2018	2017
January 1 defined benefit obligations	$ 11,595	11,500
Current interest cost	188	158
Re-measurement of liabilities in the net defined benefit		
- Actuarial gains and losses resulting from changes in financial assumptions	766	(63)
Dec. 31	**$ 12,549**	**11,595**

(3) Changes in the fair value of the project assets

The changes in the fair value of the Company's 2018 and 2017 defined benefit planned assets are as follows:

	2018	2017
The fair value of the planned assets on January 1	$ 2,838	2,747
Interest income	47	38
Re-measurement of liabilities in the net defined benefit		
- Project asset remuneration (excluding current interest)	68	(9)
Amount that has been allocated to the plan	99	62
Fair value of the planned assets on December 31	**$ 3,052**	**2,838**

(4) Recognized as expenses for profit or loss

The details of the Company's 2018 and 2017 annual presentations are as follows:

	2018	2017
Net defined benefit obligations/assets net interest	**$ 141**	**120**

	2018	2017
Operating cost	$ 38	24
Marketing expenses	15	9
Research development costs	88	87
	$ 141	**120**

(5)Remeasurement of net defined benefit liabilities classified as other consolidated gains and losses

The remeasurement of the net defined benefit liabilities recognized by the Company in other comprehensive profit or loss is as follows:

	2018	2017
Accumulated balance on January 1	$ 4,955	5,009
Recognized in this period	698	(54)
Accumulated balance on December 31	**$ 5,653**	**4,955**

(6) Actuarial assumption

The major actuarial assumptions used by the Company on the reporting date to determine the present value of the welfare obligation are as follows:

	107.12.31	106.12.31
Discount Rate	1.375%	1.625%
Future salary increase	3.000%	3.000%

The Company expects to pay the amount of the proposed benefit plan to NT$62,000 in one year after the report in 2018.

The weighted average duration of the company's defined benefit plan is 16.45 years.

(7) Sensitivity Analysis

The effect of changes in the main actuarial assumptions adopted on 2018 and December 31, 2017 on the present value of defined benefit obligations is as follows:

	Impact on defined welfare obligations	
	Increase by 0.25%	Reduced by 0.25%
December 31, 2018		
Discount rate (0.25% change)	$ (395)	412
Future salary increase (0.25% change)	398	(383)
December 31, 2017		
Discount rate (0.25% change)	(385)	402
Future salary increase (0.25% change)	390	(375)

The sensitivity analysis listed above analyzes the effects of single hypothesis changes based on other assumptions being constant. In practice, there are many hypothetical changes that may be linked. The sensitivity analysis is consistent with the method used to calculate the net defined benefit liability on the balance sheet.

The methods and assumptions used in the sensitivity analysis prepared in this issue are the same as in the previous period.

2. Determined drawing plan

The determined withdrawal plan is based on Labor Pension Statutes's contribution rate of 6% of the monthly salary of the labor to the personal pension account of the Bureau of Labor Insurance. Under this plan, after the company has set a fixed amount to the Bureau of Labor Insurance, there is no statutory or definitive obligation to pay additional amounts.

The Company's pension expenses under the proposed pension scheme for 2018 and 2017 are NT$7,623,000 and NT$6,177,000, respectively, which have been allocated to the

Bureau of Labor Insurance.

(xii) Income tax

On February 7, 2018, the President announced the amendment to the Income Tax Law, which increased the income tax rate for profit-making business from 17% to 20% from 2018.

1. Income tax expense

The details of the company's income tax expenses are as follows:

	107 年度	106 年度
Current income tax expense		
Current period	$ 317,571	87,418
Adjust the current income tax in the previous period	3,092	2,906
	320,663	90,324
Deferred income tax		
Temporary differences occur and turn around	(8,618)	(5,761)
Income tax rate change	(2,332)	-
	(10,950)	(5,761)
Income tax expense	$ 309,713	84,563

The income tax (expenses) benefits recognized by the Company under other comprehensive gains and losses are as follows:

	107 年度	106 年度
Subsequent projects that may be reclassified to profit or loss:		
Exchange difference for conversion of financial statements of foreign operating institutions	$ 226	95

The relationship between the company's income tax expenses and pre-tax net profit is adjusted as follows:

	107 年度	106 年度
Net profit before tax	$ 1,606,115	547,307
Income tax calculated according to the domestic tax rate of the company's location	$ 321,222	93,042
Adjustment by tax law	(1,961)	107
Income tax rate change	(2,332)	-
Tax incentive	(10,240)	(11,554)
Previous year's income tax underestimation	3,092	2,906
Overvaluation of deferred income tax assets in previous years	(68)	62
Income tax expense	$ 309,713	84,563

2. Deferred income tax assets and liabilities - deferred income tax assets and liabilities recognized

The changes in the deferred income tax assets and liabilities of the Company are as follows:

Deferred tax assets:

	After-sales service preparation	Foreign investment losses assessed by the equity method	Allowance for inventory price loss	Other	Total
January 1, 2018	$ 3,432	886	4,264	5,148	13,730
Credit (debit) income statement	5,638	2,222	5,169	(1,299)	11,730
Credit (debit) other comprehensive gains and losses	-	-	-	226	226
December 31, 2018	**$ 9,070**	**3,108**	**9,433**	**4,075**	**25,686**
January 1, 2017	$ 1,881	744	2,659	2,590	7,874
Credit (debit)) profit and loss statement	1,551	142	1,605	2,463	5,761
Credit (debit) other comprehensive gains and losses	-	-	-	95	95
December 31, 2017	**$ 3,432**	**886**	**4,264**	**5,148**	**13,730**

Deferred income tax liabilities:

	Unrealized exchange interest
January 1, 2018	$ -
Debit (credit) income statement	780
December 31, 2018	**$ 780**

3. Approved income tax

The settlement declaration of the company's Profit-seeking Enterprise Income Tax has been approved by the collection authority until 2016.

(xiii) Capital and other interests

1. Common stock share capital

In 2018 and December 31, 2017, the total amount of authorized capital stock of the company was NT$500,000, and the denomination of NT$10 per share was 50,000 thousand shares. The issued shares were common shares. 42,608 thousand shares. All the shares of the issued shares have been charged.

2. Additional paid-in capital

According to the Company Act, the additional paid-in capital needs to fill in the losses first, and then the new shares or cash will be issued in the proportion of the original shares of the shareholders in the realized additional paid-in capital. The above-mentioned alleged additional paid-in capital, including the excess of the amount of shares issued by the face value and the income from the donation. According to the issuer's rules for the collection and issuance of securities, the additional amount of capital to be replenished shall not exceed 10% of the paid-up capital.

3. Retained earnings

According to the company's articles of association, the company distributes surplus or loss every six months. When there is a surplus after the final accounting for each half of the accounting year, it should be reserved for taxable donations, legally compensated for losses and 10% for legal reserve. However, when the accumulation of legal reserve has reached the total capital of the company, it is not limited to this, and special reserve may be made according to law or the competent authority. If there is still surplus, the balance of the undistributed surplus in the previous quarter plus the balance of the undistributed surplus in the previous quarter shall be proposed by the board of directors. If it is in cash, it should be resolved by the board of directors. If the method of issuing new shares is made, it should be submitted to the shareholders meeting for resolution.

(1) Legal reserve

According to the Company Act, the company should allocate 10% of the net profit after tax to the legal reserve until it is equal to the total capital. When the company has no losses, it may be decided by the shareholders' meeting to issue new shares or cash with legal reserve, only to the extent that the reserve exceeds 25% of the paid-up capital.

(2) Special reserve

According to the Order of Chin Guan Cheng Fa Tzi Di 1010012865 of April 6, 2012, when the Company distributes the distributable surplus, it accounts for the net loss of other equity incurred in the current year, from the current profit and loss and the previous period. The allocation surplus is listed as a special reserve. In the case of other equity deductions accumulated in the previous period, the unallocated surplus from the previous period is listed as a special reserve. If the amount of other equity deductions is subsequently reversed, the surplus will be distributed.

(3) Earnings distribution

The Company resolved the 2017 and 2016 annual surplus allocations by the shareholders' general meeting on May 29, 2018 and May 26, 2017 respectively. The amount of dividends distributed to owners is as follows:

	2017		2016	
	Ratio of shares (NTD)	**Amount**	**Ratio of shares (NTD)**	**Amount**
Dividends distributed to common stock owners:				
Cash dividend - retained earnings	$ 10.00	426,082	4.20	178,955

(xiv) Earnings per share

1. Basic earnings per share

	2018	2017
Net profit attributable to the common stock equity holder of the company	$ 1,296,402	462,744
Common stock weighted average number of shares outstanding	42,608	42,608
Basic earnings per share (NTD)	$ 30.43	10.86

2. Diluted earnings per share

	2018	2017
Net profit (dilution) attributable to the common stock equity holder of the company	**$ 1,296,402**	**462,744**
Common stock weighted average number of shares in circulation (basic)	42,608	42,608
Impact of dilution of potential common stocks		
The impact of employee stock dividends	451	314
Common stock weighted average number of shares in circulation (diluted)	**43,059**	**42,922**
Diluted earnings per share (NTD)	**$ 30.11**	**10.78**

(xv) Revenue from customer contracts

1. Segmentation of revenue

The company's 2018 annual income breakdown is as follows:

Major regional markets:	
Taiwan	$ 1,515,628
China	1,273,048
Other countries	207,103
	$ 2,995,779
Main product / service line:	
Optical inspection machine sales	$ 2,943,144
Labor service	52,635
	$ 2,995,779

2. Contract balance

	107.12.31	107.1.1
Contract liability - advance payment	**$ 81,800**	**18,168**

Please disclose Note 6(2) for the disclosure of accounts receivable and its impairment.

The contractual liabilities on January 1, 2018, recognized as income in 2018, amounted to NT$18,166,000.

Contract liabilities mainly arise from advance receipts due to optical inspection machine merchandise sales contracts. The company will transfer revenue when the product is delivered to the customer.

(xvi) Income

The details of the company's income are as follows:

	2017
Merchandising	$ 1,331,894

Labor service	37,898
	$ 1,369,792

(xvii) Remuneration of employees, directors and supervisors

According to the company's articles of association, the company should make up for the accumulated loss amount by retaining the employee's remuneration and the benefits before the director's compensation in the current year. If there is still a balance after the calculation, it should be no less than 5% for the employee's remuneration and no more than 3% for the director's compensation.

The estimated remuneration of the Company's employees in 2018 and 2017 was NT$161,623,000 and NT$57,820,000 respectively. The estimated amount of directors and supervisors was NT$32,037 thousand and NT$12,505,000. The amount is based on the pre-tax net profit of the Company and the amount of the employee's remuneration and the remuneration of the directors and supervisors as set out in the Articles of Association and is reported as 2018 and 2017. Annual operating costs or operating expenses. Relevant information can be found at the public information observatory. The amount of compensation for the employees, directors and supervisors distributed by the above-mentioned board of directors is no different from the estimated amount of financial statements of the Company for 2018 and 2017.

(xviii) Non-operating income and expenses

1. Other income

	2018	2017
Interest income	$ 6,386	3,106
Other income - other	2,467	2,886
Total other income	**$ 8,853**	**5,992**

2. Other interests and losses

	2018	2017
Disposal of net loss of property, plant and equipment	$ (727)	-
Disposal of investment interests	906	-
Net foreign exchange interest (loss)	28,643	(26,211)
Other interests and losses	(364)	(148)
Other benefits and net losses	**$ 28,458**	**(26,359)**

(xix) Financial tool

1. Credit risk

(1) Risk of credit risk

The carrying amount of the financial asset represents the maximum credit risk amount.

(2) Concentration of credit risk

The most important customer of the company is a printed circuit board manufacturer. The receivables in 2018 and December 31, 2017 are concentrated on a single customer with a carrying amount of NT$176,157,000 and NT$241,750,000 respectively.

2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including the estimated interest but not the net amount agreement.

	Carrying amount	Contract cash flow	Within 1 year	1~2 years	2~5 years	More than 5 years
December 31, 2018						
Non-derivative financial liabilities						
Bills payable	$ 1,358	1,358	1,358	-	-	-
Accounts payable	300,035	300,035	300,035	-	-	-
Accounts payable-related party	25,947	25,947	25,947	-	-	-
Other payables	105,122	105,122	105,122	-	-	-
Other payables-related party	37,059	37,059	37,059	-	-	-
	$ 469,521	**469,521**	**469,521**	**-**	**-**	**-**
December 31, 2017						
Non-derivative financial liabilities						
Bills payable	$ 524	524	524	-	-	-
Accounts payable	184,676	184,676	184,676	-	-	-
Accounts payable-related party	15,729	15,729	15,729	-	-	-
Other payables	45,191	45,191	45,191	-	-	-
Other payables-related party	27,526	27,526	27,526	-	-	-
	$ 273,646	**273,646**	**273,646**	**-**	**-**	**-**

The Company does not expect that the cash flow of the maturity analysis will occur significantly earlier, or the actual amount will be significantly different.

3. Currency risk

(1) Risk of exchange rate risk

The financial assets exposed by the Company to significant foreign exchange rate risk are as follows:

	Foreign currency	Exchange rate	Taiwanese currency
December 31, 2018			
Monetary assets			

Monetary project				
US dollar	$	27,942	30.7100	858,114
Japanese currency	$	87,286	0.2783	24,292
People's currency	$	49,529	4.4700	221,393
Financial liability				
Monetary project				
US dollar	$	3,507	30.7100	107,694
People's currency	$	5,585	4.5670	24,965

		Foreign currency	Exchange rate	Taiwanese currency
December 31, 2017				
monetary assets				
Monetary project				
US dollar	$	23,530	29.7650	700,378
Japanese currency	$	90,528	0.2643	23,927
People's currency	$	12,518	4.5670	57,168
Financial liability				
Monetary project				
US dollar	$	1,718	29.7650	51,148
People's currency	$	3,412	4.5670	15,583

(2) Sensitivity analysis

The exchange rate risk of the Company is mainly derived from cash and cash equivalents, receivables and payables denominated in foreign currencies, which generate foreign currency exchange gains and losses on translation. At 2031 and December 31, 2017, the New Taiwan dollar depreciated or appreciated by 3% against the US dollar and the RMB exchange rate. While all other factors remain unchanged, the net profit after tax for 2018 and 2017 will be Increase or decrease NT$23,307 thousand and NT$17,797 thousand. The two phases of analysis use the same basis.

(3) Conversion gains and losses on monetary items

Due to the wide variety of trading currencies, the collection method covers the exchange gains and losses information of monetary items. The foreign currency exchange benefits (losses) (including realized and unrealized) in 2018 and 2017 are NT$28,643,000 and NT$26,211, respectively.

4. Interest rate analysis

The company's interest rate risk hazard is as follows:

	Carrying Value	
	107.12.31	106.12.31
Variable Rate Tool:		
Bank savings	$ 1,639,624	639,284

The sensitivity analysis described below is based on the interest rate risk of derivative and non-derivative instruments on the reporting date. For floating-rate liabilities, the analysis is based on the assumption that the amount of liabilities outstanding on the reporting date is circulated throughout the year. The rate of change used by the Company to report interest rates to the major management is increased or decreased by 1%, which also represents management's assessment of the reasonably possible range of interest rates.

If the interest rate increases or decreases by 1%, the Company's net profit after tax for 2018 and 2017 will increase or decrease NT$13,117 thousand and NT$5,306,000, while all other variables remain unchanged.

5. Fair value information

(1) Types and fair value of financial instruments

The carrying amount and fair value of financial assets and financial liabilities are shown below. (Including fair value hierarchy information, but the fair value of financial instruments is not a fair approximation of fair value. It also includes equity instruments that are not quoted in the active market and whose fair value cannot be reliably measured and there is no need to disclose information on fair value):

	107.12.31				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss					
Financial assets that are measured at fair value through profit or loss	$ 9,644	-	-	9,644	9,644
Financial assets measured by amortized cost					
Cash and cash	1,640,945	-	-	-	-
Notes receivable, accounts receivable and long-term receivables (including related parties)	1,187,078	-	-	-	-
Other receivables - related persons	3,809	-	-	-	-
Refundable deposits	4,005	-	-	-	-
Other non-current assets	2,189	-	-	-	-
Subtotal	2,838,026	-	-	-	-
Total	**$ 2,847,670**	**-**	**-**	**9,644**	**9,644**
Financial liabilities measured by amortized cost					
Bills payable	$ 1,358	-	-	-	-

Accounts payable	300,035	-	-	-	-
Accounts payable-related party	25,947	-	-	-	-
Other payables	105,122	-	-	-	-
Other payables-related party	37,059	-	-	-	-
Total	$ **469,521**	**-**	**-**	**-**	**-**

	106.12.31				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Provision for sale of financial assets					
Financial assets measured by cost	$ 9,644	-	-	-	-
Receivables					
Cash and cash	640,157	-	-	-	-
Notes receivable, accounts receivable and long-term receivables	751,293	-	-	-	-
Other receivables-related party	4,386	-	-	-	-
Refundable deposits	4,487	-	-	-	-
Other non-current assets	2,186	-	-	-	-
Subtotal	1,402,509	-	-	-	-
Total	**$ 1,412,153**	**-**	**-**	**-**	**-**
Financial liabilities measured by amortized cost					
Bills payable	$ 524	-	-	-	-
Accounts payable	184,676	-	-	-	-
Accounts payable-related party	15,729	-	-	-	-
Other payables	45,191	-	-	-	-
Other payables-related party	27,526	-	-	-	-
Total	**$ 273,646**	**-**	**-**	**-**	**-**

(2) Fair value evaluation technology for financial instruments measured at fair value - non-derivative financial instruments

If the financial instrument has an open quote from the active market, the open price of the active market is the fair value. The market price of the announcements of the major exchanges and the central government bond counter trading centers that have been judged to be hot coupons are all equity instruments of the listed company at stock exchange market (listed company at over-the-counter market) and open quotes of active markets. The basis of the fair value of debt instruments.

If the company can obtain public quotations for financial instruments from time to time, and often from exchanges, brokers, underwriters, industry associations, pricing service agencies or competent authorities. Moreover, the price represents an actual and frequently occurring fair market trader, and the financial instrument has an active market open offer. If the above conditions are not fulfilled, the market is considered inactive. In general, the bid-ask spread is very large, the bid-ask spread is significantly increased, or the trading volume is very small, which is an indicator of inactive market.

The equity instruments held by the Company without public quotation are estimated using the market comparable company method to estimate the fair value. The main assumptions are based on the equity net multiplier derived from the investor's equity and market quoted by the listed company at stock exchange market (listed company at over-the-counter market). The estimate has adjusted the impact of the lack of market liquidity of the equity securities.

(3) Level of fair value

When measuring its assets and liabilities, the company uses as much of the market's observable inputs as possible. The level of fair value is classified as follows based on the input values used to evaluate the technology:

A. Level 1: Public quotation (unadjusted) of the same asset or liability in the active market.

B. Level 2: In addition to the public quotation included in Level 1, the input parameters of an asset or liability are observable either directly (ie, price) or indirectly (ie, derived from price).

C. Level 3: Input parameters for assets or liabilities are not based on observable market data (non-observable parameters).

The Company has not experienced any transfer of events or circumstances between levels of fair value.

(4) Level 3 Change Schedule

	Equity instruments without public quotation
December 31, 2018 (January 1)	$ 9,644

(5) Quantitative information measured by fair value of significant unobservable inputs (level 3)

project	**Evaluation technique**	**Major unobservable input value**	**Significant unobservable input value and fair value relationship**

Financial assets measured at fair value through profit or loss - investment in equity instruments without active market	Can be compared to the listing company law	• Net number of shares to multiplier (3.79.31 is 3.79) • P/E multiplier (12.47 for 107.12.31) • Lack of market liquidity discount (20.7% for 107.12.31)	• The higher the net number of the number of shares, the higher the multiplier and the P/E multiplier, the higher the fair value. • The higher the discount for those who lack market liquidity, the lower the fair value

(6) Sensitivity analysis of fair value to reasonable possible alternative hypotheses for level 3 fair value measurement

The Company's measurement of the fair value of financial instruments is reasonable. However, using different evaluation models or evaluation parameters may result in different evaluation results. For financial instruments classified as the third level, if the evaluation parameters change, the impact on the current profit and loss is as follows:

		Change up or down	**Changes in fair value reflect gains and losses**	
	Input value	Change up or down	**Favorable change**	**Unfavorable change**
December 31, 2018				
Financial assets measured at fair value through profit or loss				
Investing in equity instruments without active market	Lack of market liquidity discount	10%	1,368	(1,368)

The favorable and unfavorable changes of the Company are fluctuations in fair value. However, the fair value is calculated based on the unobservable input parameters of different degrees and evaluated by the evaluation technique.

(xx) Financial risk management

1. Summary

Due to the use of financial instruments, the company is exposed to the following risks:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note expresses the above-mentioned risks of the risk information, the company's objectives, policies and procedures for measuring and managing risks. Further quantitative disclosures are detailed in the individual financial reports.

2. Risk Management Framework

The board of directors shall be solely responsible for establishing and supervising the risk management of the company. The board of directors itself is responsible for the development and control of the company's risk management by the chairman and general manager, and reports and is responsible to the board of directors.

Internal auditors should assist the company in its supervisory role and report to the board as necessary.

3. Credit risk

The so-called credit risk is the risk that the Company will incur financial losses due to the inability of the counterparty of the customer or financial instrument to perform its contractual obligations, mainly from the accounts receivable and securities investment of the Company.

The credit risk hazard for receivables is mainly affected by the individual circumstances of each customer. However, the management also considers the statistical data of the company's customer base, including the default risk of the customer's industry and country. These factors may affect credit risk.

The Group's receivables from 2018 and 2017 were concentrated on a single customer, representing 15% and 32% of the net amount of notes and accounts receivable (including long-term receivables) of the Company. . The company's receivables and accounts credit risk are based on the industrial type of the goods, which is significantly concentrated in the printed circuit board industry.

A credit policy has been established within the company, according to which the company must separately analyze its credit rating for each new customer before giving standard payment and terms and terms of trade.

If there is a retention-of-title clause for the sale of goods, the company may have a claim for security without payment. There is no collateral requirement for the company's receivables.

The company shall regularly assess the loss of the receivables and investments. The main components of the allowance account include the specific loss component associated with the individual significant risk and the combination loss component established for the loss of the similar asset group that has occurred but not yet identified. The estimated loss of the allowance account group is determined by reference to the historical payment statistics of similar financial assets.

4. Liquidity risk

The so-called liquidity risk is the risk that the company will fail to meet its obligations when it is unable to deliver cash or other financial assets to settle financial liabilities. The Company's approach to managing liquidity will ensure, as far as possible, that the Company has sufficient liquidity to cover its liabilities as they fall under normal and pressure. As a result, there is no risk of unacceptable losses or damage to the company's reputation.

In normal times, the company will ensure that there is sufficient cash to meet expected operating expenses, including the performance of financial obligations. However, the potential impacts that cannot be reasonably expected in extreme cases, such as natural disasters, are excluded. In addition, the borrowings unused by the Company in 2018 and December 31, 2017 were NT$365,355,000 and NT$260,000,000 respectively.

5. Market risk

The so-called market risk refers to the risk of affecting the company's income or the value of the financial instruments held because of changes in market prices, such as exchange rate, interest rate, and changes in the price of equity instruments. As for the goal of market risk management, the risk of controlling market risk is within the acceptable range and the investment compensation is optimized.

The Company has not engaged in the trading of derivatives and has not incurred financial assets or liabilities.

(xxi) Capital management

The Board's policies are seen as maintaining a sound capital base to maintain the confidence of investors, creditors and the market and to support the development of future operations. The capital portion includes the company's share capital, additional paid-in capital and retained earnings. The board of directors controls the rate of return on capital and controls the level of common stock dividends.

The debt-to-capital ratio at the reporting date is as follows:

	107.12.31	106.12.31
Total liabilities	$ 1,198,539	543,619
Removal: cash and cash equivalents	1,640,945	640,157
Net debt	**$ (442,406)**	**(96,538)**
Total equity	**$ 2,210,152**	**1,340,977**
Debt to capital ratio	**- %**	**- %**

As of December 31, 2018, the company's capital management style has not changed.

VII. Related party transactions

(i) Parent company and ultimate controller

The Company is the ultimate controller of the Company and its subsidiaries.

(ii) The name and relationship of the related party

The related parties that have transactions with the Company during the period covered by this individual financial report are as follows:

The name of the related party	Relationship with the company
MACHVISION Dongguan Testing Equipment Co., Ltd. (MACHVISION Dongguan)	Subsidiary of the company
Samoa MACHVISION INC. (hereinafter referred to as Samoa)	Subsidiary of the company
AUTOVISION TECH CO., LTD (hereinafter referred to as AUTOVISION TECH)	Subsidiary of the company
Sijin Optical Co., Ltd. (hereinafter referred to as Sijin)	Subsidiary of the company

(iii) Significant transactions between related parties

1. Operating income

The significant sales amount of the Company to related parties is as follows:

	2018	2017
Subsidiary	$ 179,631	97,626

The sales price when the company sells goods to subsidiaries is based on the overall profit distribution of the group. The collection period is not significantly different except for Dongguan MACHVISION, INC, depending on the maneuver adjustment of the fund scheduling situation. The receivables of the related parties are not subject to collateral and no allowance for bad debts is required after assessment.

2. Purchase

The amount of the company's purchases from related parties is as follows:

	2018	2017
Subsidiary	$ 8,249	3,559

The company's method of purchasing goods from related parties is in accordance with the company's special specifications, so it is not comparable to the prices of general manufacturers. There are no significant differences in payment terms.

3. Labor service

The Company entrusts related parties to develop and design the product's expense account under operating costs, as follows:

	2018	2017
Subsidiary		
Sijin Optical Co., Ltd.	28,354	23,268

4. Management service income

The Company's income from the provision of management services and sub-leasing offices is accounted for as non-operating income and expenses - other income, as follows:

	2018	2017
Subsidiary		
Sijin Optical Co., Ltd.	458	531

5. Receivables from related parties

The details of the company's receivables from related parties are as follows:

Account item	Type	107.12.31	106.12.31
Accounts receivable-related parties	Subsidiary Dongguan MACHVISION	$ 127,311	77,149
Accounts receivable-related parties	Other subsidiaries	25,086	-
Long-term receivables-related parties	Subsidiary Dongguan MACHVISION	59,130	3,857
Other receivables-related parties	Subsidiary Dongguan MACHVISION	3,715	3,667
Other receivables-related parties	Other subsidiaries	94	719
		$ 215,336	85,392

6. Payable to related parties

The details of the company's payment to related parties are as follows:

Account item	Type	107.12.31	106.12.31
Accounts payable-related parties	Subsidiary	$ 25,947	15,729
Other payables-related parties	Subsidiary	37,059	27,526
		$ 63,006	43,255

(iv) Key management transactions

The main management compensation includes:

	2018	2017
Short-term employee benefits	$ 56,394	22,566
Post-employment benefits	228	228
	$ 56,622	22,794

VIII. Pledged assets

The details of the carrying value of the assets provided by the company under the pledge guarantee are as follows:

Asset Name	Pledged guarantee	107.12.31	106.12.31
Other non-current assets:			
Deposit order	Customs guarantee	$ 506	503

Deposit order	Hsinchu Science Park Bureau, MOST Land Use Guarantee	1,683	1,683
		$ 2,189	**2,186**

IX. Significant contingent liabilities and unrecognized contractual commitments: None.

X. Major disaster losses: None.

XI. Major post-term issues: None.

XII. Others

The functions of employee benefits, depreciation, depletion and amortization expenses are summarized as follows:

Function / Nature	2018			2017		
	Belonging to business costs	Belonging to operating expenses	Total	Belonging to business costs	Belonging to operating expenses	Total
Employee benefit						
Salary fee	85,786	257,703	343,489	49,090	150,531	199,621
Labor and health insurance costs	6,382	7,883	14,265	4,049	6,775	10,824
Pension fee	2,973	4,791	7,764	1,840	4,457	6,297
Director's remuneration	-	32,037	32,037	-	8,379	8,379
Other employee benefit expenses	12,684	19,224	31,908	4,808	10,713	15,521
Depreciation expense	3,946	3,045	6,991	3,827	3,178	7,005
Amortization fee	-	263	263	-	485	485

The average number of employees of the Company in 2018 and 2017 was 219 and 160 respectively, of which the number of directors who did not have concurrent employees was 7 and 6 respectively.

XIII. Notes disclosed

(1) Information on major transactions

In 2018, according to the provisions of the securities issuer's financial report preparation standards, the relevant information of major transactions that should be disclosed again is as follows:

1. Money loans and others: None.
2. Endorsement for others: no.
3. The case of holding securities at the end of the period (excluding investment subsidiaries, affiliates and joint venture equity):

單位：新台幣千元

Holding company	Type and name of the securities	Relationship with the issuer of securities	Reported subjects	End of period				Remarks
				Number of shares	Carrying value	Shareholding ratio	Fair value	
Our Company	YAYATECH Co. Ltd	-	Financial assets measured by cost - non-current	884,000	9,644	5 %	9,644	

4. Accumulatively buy or sell the same marketable securities amounting to NT$300 million or more than 20% of paid-up capital: None.

5. The amount of real estate acquired amounts to NT$300 million or 20% of paid-up capital: none.
6. The amount of disposition of real estate amounted to NT$300 million or more than 20% of paid-up capital: none.

7. For purchases and sales of related parties amounting to NT$100 million or 20% of paid-in capital:

Unit: NT$1,000

Company that imports (sales) goods	Transaction object name	Relationship	Trading situation				Situation and reason why trading conditions are different from general trading		Receivable (paid) bills, accounts		Remarks
			Import (sale) goods	Amount	Ratio of total imports (sales)	Credit period	unit price	Credit period	Balance	Ratio of total receivables (payments) of bills and accounts	
Our Company	Dongguan MACHVISION	Subsidiary of the company	(sales)	148,172	5 %	Depending on fund scheduling, maneuver adjustment	Depending on the profit distribution of the group	Depending on fund scheduling, maneuver adjustment	186,441	16%	

8. The amount due from related parties amounts to NT$100 million or more than 20% of paid-up capital:

Unit: NT$1,000

Company that imports (sales) goods	Transaction object name	Relationship	Balance of receivables from related parties	Turnover	Overdue receivables		Receivable amount after the receivable amount of the related party	Set aside the allowance for bad debts
					Amount	Processing method		
Our company	Dongguan MACHVISION	Subsidiary of the company	186,441	1.11	59,410	According to fund planning	5,876 (as of February 13, 2019)	-

9. Engaged in derivatives trading: None.

(2) Information about the investment business:

The information on the investment business of the company in 2018 is as follows (excluding Chinese invested companies):

Unit: NT$1,000

Investment company name	Invested company name	Region	Main business items	Original investment amount		Holding at the end of the period			Current profit and loss of the invested company	Investment gains and losses recognized in the current period (Note 2)	Remarks
				End of the current period	end of last year	Number of shares	ratio	Carrying amount			
Our company	Samoa MACHVISION INC.	Samoa	General investment business	50,114	50,114	1,607,276	100.00%	25,743	(9,987)	(9,987)	Note 1.
Our company	AUTOVISION TECH CO., LTD	Taiwan	Computer and its peripher	2,250	2,250	225,000	45.00%	2,791	2,516	1,132	

			al equipment manufacturing								
Our company	Sijin Optical Co., Ltd.	Taiwan	Equipment manufacturing for optical inspection machinery	49,470	49,470	4,947,000	49.47%	56,557	19,655	9,724	

Note 1: Belonging to the limited company.

Note 2: The investment gains and losses belong to the financial report verified by the visa company of the parent company of Taiwan, and are evaluated by the equity method.

(3) Investment information in mainland China:

1. Information on the name of the invested company in China, major business items, etc.:

Unit: NT$1,000

Name of the company being invested	Main business items	Amount of paid-in capital	Investment method (Note 1)	The cumulative amount of investment remitted from Taiwan at the beginning of the period	Remittance or recovery of investment amount in the current period		The cumulative investment amount remitted from Taiwan at the end of the period	The company's current profit and loss	The proportion of shares held by the company directly or indirectly	Recognition of investment gains and losses in the current period (Note 3)	Ending investment carrying value	Returned investment income as of the current period
					匯出	收回						
Machvision (Dongguan) Testing Equipment Co., Ltd.	Equipment repair and wholesale	50,042	(二)	50,042	-	-	50,042	(9,987)	100%	(9,987)	30,383	-

Note 1: The investment methods are divided into the following four types:

(1) Investing in Chinese companies through remittances in the third region.

(2) Set up a company to invest in Chinese companies through investment in the third region.

(3) Reinvesting in Chinese companies through investment in existing companies in the third region.

(4) Other methods EX: Entrusted investment.

Note 2: It belongs to China through the transfer of Samoa MACHVISION INC.

Note 3: The investment gains and losses belong to the financial report verified by the visa company of the parent company of Taiwan, and are evaluated by the equity method.

2. Investment limits for mainland China:

At the end of the period, the accumulated amount of investment from Taiwan to mainland China	Investment amount approved by Investment Board, Ministry of Economic Affairs	Investment quotas for mainland China under the Investment Board, Ministry of Economic Affairs
50,042	111,399	1,326,091 (Note)

Note: 60% of the company's net value.

3. Significant transactions between China Land Investment Corporation and China:

For details of the major transactions between the Company and the investee companies in Mainland China in 2018, please refer to the “Relationships”.

XIV. Department Information

Please see the consolidated financial report for 2018.

Machvision Inc. Co., Ltd.

Cash and cash equivalent schedule

Dec. 31, 2018 **Unit: NT$1,000**

Item	Summary	Amount	
Cash		$	821
Bank savings	Check Deposit		500
	Demand deposit		266,792
	Foreign currency depositUSD1,124 thousand		34,512
	CNY17,828 thousand		79,691
	JPY87,221 thousand		24,274
	HKD57 thousand		225
	Time deposit (interest rate 0.16% to 3.00%, maturity date 2019.01.04 ~ 2019.12.24)		
	NTD		1,172,710
	USD2,000 thousands		61,420
		$	**1,640,945**

Bills receivable list

Customer Name	Summary	Amount		Remarks
Non-related person:				
5M00755	Business	$	1,764	
Others (the individual amount does not exceed 5% of the balance of the notes receivable)	〃		73	
		$	**1,837**	

Machvision Inc. Co., Ltd.

Accounts receivable schedule

Dec. 31, 2018

Unit: NT$1,000

Customer Name	Summary	Amount	Comments
Related person			
Machvision (Dongguan) Testing Equipment Co., Ltd.	Business	$ 127,31	
Sijin Optical Co., Ltd.	〃	25,08	
Subtotal		152,39	
Non-related person:			
Group A	Business	171,53	
Group B	〃	113,16	
Group C	〃	109,62	
Group D	〃	71,74	
Group E	〃	66,19	
Group F	〃	62,95	
Group G	〃	51,34	
Other (the individual amount does not exceed 5% of the accounts receivable balance)	〃	258,58	
Subtotal		905,14	
Less: allowance for bad debts		12,38	
		892,76	
		$ 1,045,16	

Machvision Inc. Co., Ltd.

Inventory schedule

Dec. 31, 2018 **Unit: NT$1,000**

Item	Amount: Cost	Amount: Net realizable value	Remarks
Finished product	$ 59,345	103,578	Market net realizable value
Semi-finished product	53,294	48,853	〃
Raw materials	159,246	133,524	〃
Total	271,885	**285,955**	
Less: allowance for inventory depreciation and sluggish loss	47,162		
	$ 224,723		

Prepayment schedule

Item	Summary	Amount	Remarks
Prepaid expense		$ 4,970	
Advance payment		301	
		$ 5,271	

Other current assets schedule

Item	Summary	Amount	Remarks
Interest receivable		$ 41	

Allowance tax	4,321
	$ 4,362

Machvision Inc. Co., Ltd.

Financial assets measured at fair value through profit or loss - Non-current changes statement

Dec. 31, 2018 **Unit: NT$1,000**

Financial instrument name	Beginning of period		Increase in this period		Reduced in this period		End of period		Provide guarantee or pledge condition	Remarks
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value		
Yaya Technology Co., Ltd.	884	$ 9,644	-	-	-	-	884	9,644	None	

Machvision Inc. Co., Ltd.

Statement of investment changes adopts equity method

Jan. 01 to Dec. 31, 2018 **Unit: NT$1,000**

Name	Beginning of period		Increase in this period		Reduced in this period		End of period			Market value or equity		Provide guarantee or pledge condition	Remarks
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Shareholding ratio (%)	Amount	Unit price	Total price		
Samoa MACHVISION INC.	1,607,276	$ 37,591	-	-	-	11,848 (Note 1)	1,607,276	100.00		19.03	30,587	None	
Autovision Technology Inc.	225,000	1,659	-	1,132 (Note 2)	-	-	225,000	45.00		12.40	2,791	None	
Sijin Opto Inc.	4,947,000	46,833	-	9,724 (Note 3)	-	-	4,947,000	49.47		11.43	56,557	None	
		$ 86,083		10,856		11,848					89,935		

Note 1: In the current period, the investment loss recognized by the equity method was NTD$9,987 thousands, the exchange difference of the financial statements of foreign operating institutions was changed by NTD$676 thousands and the unrealized sales interest was NTD$1,185 thousands.
Note 2: This is the investment benefit recognized by the equity method in current period is NTD$1,132,000.
Note 3: This is the investment benefit recognized by the equity method in current period is NTD$9,724,000.

Machvision Inc. Co., Ltd.

List of changes in real estate, plant and equipment

Jan. 01 to Dec. 31, 2018 **Unit: NT$1,000**

Item		Beginning of period	Increase in this period	Reduced in this period	End of period	Provide guarantee or pledge condition	Remarks
House and building	$	204,561	-	937	203,624	None	
Machine and R&D equipment		3,957	2,700	2,300	4,357	〃	
Office and other equipment		9,339	1,622	1,817	9,144	〃	
Construction in progress		-	27,874	-	27,874	〃	
	$	217,857	32,196	5,054	244,999		

List of accumulated depreciation changes in real estate, plant and equipment

Item		Beginning of period	Increase in this period	Reduced in this period	End of period balance	Remarks
House and building	$	18,530	4,898	114	23,314	
Machine and R&D equipment		3,141	321	2,300	1,162	
Office and other equipment		4,859	1,772	1,693	4,938	
	$	26,530	6,991	4,107	29,414	

Machvision Inc. Co., Ltd.

Intangible assets change schedule

Jan. 01 to Dec. 31, 2018 **Unit: NT$1,000**

Item	Beginning of period	Increase in this period	Reduced in this period	End of period balance	Remarks
Acquisition cost:					
Technology price input equity	$ 16,000	-	-	16,000	
Computer software cost	1,100	-	-	1,100	
Less: Accumulated amortization	(12,534)	(263)	-	(12,797)	
Cumulative impairment	(4,000)	-	-	(4,000)	
	$ 566	**(263)**	**-**	**303**	

Other non-current assets schedule

Item	Summary	Amount	Remarks
Restricted bank deposit		$ 2,189	

Machvision Inc. Co., Ltd.

Accounts payable schedule

Dec. 31, 2018 **Unit: NT$1,000**

Customer name	Summary	Amount	Remarks
Non-related person:			
1M0019	Business	29,587	
1M1529	〃	25,105	
1M2362	〃	22,225	
1M1284	〃	15,987	
Other (the individual amount does not exceed 5% of unspent balance)	〃	207,131	
		$ 300,035	

Other payables schedule

Item	Summary	Amount
Payroll and bonus payable		$ 89,987
Compensation payable to employees and directors'		193,660
Commission payable		97,301
Coping with unpaid leave bonus		5,660
Other		40,717
		$ 427,325

Machvision Inc. Co., Ltd.

Other current liabilities schedule

Dec. 31, 2018 **Unit: NT$1,000**

Item	Summary	Amount	Remarks
Collection for others		$ 1,352	
Temporary credit		426	
		$ 1,778	

Operating income statement

Jan. 01 to Dec. 31, 2018

Item	Quantity	Amount	Remarks
Optical inspection machine (Note)	-	$ 2,943,144	
Other	-	52,635	
		$ 2,995,779	

Note: The net amount of sales and discounts of NTD$17,343 thousand has been included.

Machvision Inc. Co., Ltd.

Operating cost schedule

Jan. 01 to Dec. 31, 2018 **Unit: NT$1,000**

Item	Amount Subtotal	Amount Total
Direct raw materials:		
Initial inventory	$ 125,005	
Plus: current feed	710,215	
Raw materials	80	
Less: end of inventory	159,246	
Sales of raw materials	55,815	
Other	13,397	
Raw material consumption cost	606,842	
Direct labor	29,845	
Manufacturing expenses	69,593	
Manufacturing costs	706,280	
Plus: beginning of period product inventory	39,133	
In-process purchase and outsourcing	7,188	
In-process inventory overage	9	
Less: end of period product inventory	53,294	
Selling products in progress	13,480	
Other	1,930	
Finished product cost	683,906	
Plus: initial finished product inventory	37,153	
Outsourced finished goods	39,694	
Less: end of period finished product inventory	59,345	
Other	174	
Total cost of goods sold		701,234
Inventory overage		(89)
Inventory price loss		22,081
Other costs		198,268
Total operating costs		**$ 921,494**

Machvision Inc. Co., Ltd.

Sales expense schedule

Jan. 01 to Dec. 31, 2018 **Unit: NT$1,000**

Item	Summary	Amount	Remarks
Salary expenditure		$ 48,461	
Travel expenses		5,452	
Commission expenses		102,313	
Export cost		8,301	
Other		23,838	
		$ 188,365	

Management fee schedule

Item	Summary	Amount	Remarks
Salary expenditure		$ 96,287	
Remuneration for directors and supervisors		32,037	
Employee benefits		6,082	
Labor fee		5,184	
Other		20,286	
		$ 159,876	

Machvision Inc. Co., Ltd.

R&D expense schedule

Dec. 31, 2018 **Unit: NT$1,000**

Item	Summary	Amount	Remarks
Salary expenditure		$ 114,279	
Employee benefits		7,282	
Insurance fee		4,592	
Travel expenses		5,046	
Labor fee		3,034	
Other		13,983	
		$ 148,216	

14. Departmental Information

Please refer to year 2017 consolidated financial report.

6. The company and related companies in the most recent year and the publication of annual report, if there is a financial turnover, the impact on the company's financial status: none.

7. Other disclosures:

(1) For important accounting policies, please refer to pages 120 and 128.

(2) Basis and foundation for the assessment method of listing assets and liabilities assessment:

Item	Assets and liabilities evaluation subject	Basis for evaluation	Evaluation foundation
1	Allowance for bad debts	Impairment assessment	1. Individually assess the operating status of debtor and the possibility of recovering the accounts. 2. After the individual assessment, the overall receivables assessment is carried out in line with past collections.
2	Allowance for inventory price loss	Sluggish assessment	Adopt age analysis method: 1. The scrap warehouse presents 100% price drop. 2. Except for the scrapped warehouses, the aged stocks over one year in other warehouses, the price loss is calculated separately according to the year.
		Price drop assessment	Adopt net realized value method that is based on the estimated selling price under normal business at the balance sheet date and minus the cost of investment and sales price.

(3) Exposure of financial product information

1. Information on fair value

	12.31, 2018		12.31, 2017	
	Book Value	Fair value	Book Value	Fair value
<u>Financial assets</u>				
Financial assets measured by cost	$9,644	$9,644	$9,644	$9,644
Loans and receivables:	1,764,842	1,764,842	751,469	751,469

Cash and cash equivalent	1,175,527	1,175,527	727,965	727,130
Receivables	-	-	-	-
Other notes receivable	-	-	-	-
Long-term notes receivable				
Financial liability				
Financial liabilities measured by amortized cost	425,172	425,172	231,610	231,610
Payable				

2. The methods and assumptions used to estimate the fair value of financial products are as follows:

(1) The financial assets measured by cost are evaluated by the evaluation model to obtain the fair value of the day.

(2) Cash and bank deposits, bills receivables, other bills receivables, accounts receivable and other receivables and payables are very close to maturity, and their book value is a reasonable basis for estimating the fair value.

(3) Other long-term notes receivable and long-term accounts receivable valuation methods estimate the fair value based on the discounted value of their expected cash flows. The discount rate is based on the long-term borrowing rate of similar conditions in the market.

(4) Targets and methods for adopting hedge accounting: the company has not executed trading in hedging accounting.

7. Review, analysis and risk issues of financial conditions and operating results

1. Financial situation

Unit: NTD$1,000

Item \ Year	2017	2018	Difference	
			Amount	%
Current assets	1,658,583	3,109,382	1,450,799	87.47
Long-term equity investment	9,644	9,644	0	0.00
Real estate, plant and equipment	213,862	238,607	24,745	11.57
Intangible assets	566	303	(263)	(46.47)
Other assets	37,747	114,111	76,364	202.30
Total assets	1,920,402	3,472,047	1,551,645	80.80
Current liabilities	520,804	1,190,439	669,635	128.58
Other liabilities	8,757	10,277	1,520	17.36
Total liabilities	529,561	1,200,716	671,155	126.74
Share capital	426,082	426,082	0	0.00
Capital reserve	59,489	59,492	3	0.01
Retain earnings	857,913	1,727,535	869,622	101.36
Other rights	(2,507)	(2,957)	(450)	17.95
Total equity	1,390,841	2,271,331	880,490	63.31

Note 1: Analytical basis: the change rate is more than 20%, and the change amount is more than NTD$10 million.

Analysis descriptions:

1. The increase in current assets was due to the significant increase in accounts receivable due to the significant growth of 2018 annual sales results.
2. The increase in other assets was due to the increase in long-term receivables due to the significant growth of 2018 annual sales results.
3. The increase in total assets was due to the increase in current assets.
4. The increase in current liabilities was due to the increase in employee dividends payable and the increase directors and supervisors' remuneration in the current year.
5. The increase in total liabilities was due to the increase in current liabilities.
6. Retained earnings increase due to the growth of 2018 annual sales results.
7. The increase in total equity was due to the growth of the 2018 annual sales results.

2. Financial performance

(1) Comparative analysis of business results

Unit: NTD$1,000

Item \ Year	2017	2018	Increase (decrease) amount	Change ratio (%)
Operating income	1,420,888	3,111,876	1,690,988	119.01
Operating cost	511,285	945,194	433,909	84.87
Operating gross profit	909,603	2,166,682	1,257,079	138.20
Operating expenses	343,345	582,530	239,185	69.66
Operating net profit	566,258	1,584,152	1,017,894	179.76
Non-operating income and expenses	(19,468)	38,072	57,540	(295.56)
Continuous operate dept. pre-tax net profit	546,790	1,622,224	1,075,434	196.68
Less: income tax expense	85,366	314,507	229,141	268.42
Current net profit	461,424	1,307,717	846,293	183.41
Other comprehensive profit and loss	(412)	(1,148)	(736)	178.64
Total consolidated profit and loss in this period	461,012	1,306,569	845,557	183.41

Note 1: Analytical benchmark: the change ratio before and after is more than 20% and the change amount is more than NTD$10 million.

Analysis descriptions:

1. Operating income, operating costs, and increase in operating gross profit: due to the substantial growth of year 2018 sales results, operating income, operating costs, and operating margin increased compared with the previous period.
2. Increase in operating expenses: due to the increase in revenue during this period, the expenses related to business, such as export expenses, commission expenses, freight, travel expenses, and promotion expenses, increased from previous period.
3. Operating net profit, net profit before tax, and increase in net profit in this period: due to the substantial growth in year 2018 sales results, the revenue increased, which was higher than previous operating net profit.
4. Non-operating income and expenses: it is non-operating profit arising from foreign currency exchange, which makes non-operating income and expenses increase compared with previous period.
5. Income tax increase: due to the growth of year 2018 annual sales results.

6. The increase in the total comprehensive profit and loss of current period: due to the substantial growth of year 2018 sales annual results.

(2) The expected sales volume and its basis in next year, the possible impact on the company's future financial business and corresponding plan:

This company's testing equipment for flexible and regular PCB and carrier boards continues to develop new products, it is actively responding to the sales model of the whole plant as "test one-stop shopping", so the sales volume is expected to grow.

3. Cash flow

(1) Analysis of recent annual cash flow changes (analytical basis: those before and after increase or decrease ratio is 20% or more)

Unit: NTD$1,000

Item \ Year	2017	2018	Increase (decrease) ratio
Cash flow ratio (%)	53.80	123.81	130.13%
Cash equivalent flow rate (%)	96.15	181.22	88.48%
Cash reinvestment ratio (%)	7.05	46.75	563.12%

Analysis of the change in the proportion of the increase and decrease in previous period:

1. Increase in cash flow ratio and cash equivalent flow ratio: due to higher net cash flow from operating activities in recent years.
2. Increase in cash reinvestment ratio: due to the increase in net cash flow from operating activities in this year compared to last year.

(2) Analysis of the improvement of liquidity deficiency: at present, there is no shortage of liquidity; if cash is insufficient, it will be treated by bank financing and capital increase by cash.

(3) Analysis of cash liquidity in the coming year:

Unit: NTD$1,000

Initial cash balance	Net cash flow from operating activities throughout the year	Annual cash outflow	Cash remaining amount	Remedial measures for insufficient cash	
				Investment plan	Financial plan
1,640,945	937,159	(1,150,422)	1,427,682	0	0

Analysis of changes of cash flow in next year (2019):

(1) Business activities: net cash inflow is approximately NTD$937,159, which was mainly due to the growth of company's operations.

Investment activities: net cash outflow from investment activities in the whole year was approximately NTD$25,858,000, which was mainly due to related expenses such as long-term equity investment and capital expenditure.

Financing activities: net cash outflow from financing activities in the whole year was approximately NTD$1,150,422 thousands, which was mainly due to the payment of dividends.

(2) Remedial measures and liquidity analysis for cash shortfalls: the Company expects to use capital increase by cash to enrich working capital to meet the needs of operational growth, it will help long-term financial stability and strengthen the flexibility of capital

utilization; and the company can increase enough long-term funds to support the future development of optical inspection equipment business, and enhance the overall operational competitiveness, and can enhance the financial structure and reduce liquidity risk.

4. The impact of significant annual capital expenditures on financial operations in the most recent year:

(1) The application of major capital expenditures and sources of funds: none.

(2) Expected income may be generated: none.

5. The most recent annual investment policy, the main reason for its profit or loss, the improvement plan and the investment plan for next year:

Unit: NTD$1,000

Description / Item	Amount (Note 1)	Policy	Main reason for profit or loss	Improvement plan	Other investment plans in the future
Samoa MACHVISION INC.	(9,987)	General investment business	Mainly due to the profitability of the investment in Machvision (Dongguan) Testing Equipment Co., Ltd.	-	-
Machvision (Dongguan) Testing Equipment Co., Ltd.	(9,987)	Close to market	Actively expand market and control costs.	-	-
Autovision Inc. Actively expand market and control costs.	1,132	Investment in various businesses	Actively expand market and control costs.	-	-
Sijin Opto Inc.	9,724	Investment in various businesses	Actively expand market and control costs.	-	-

Note 1: The book value calculated by the company's shareholding ratio directly or indirectly.

6. Risk matters should be analyzed and evaluated in the most recent year and as of the date of publication of the annual report:

(1) Risk management policy

(1) The Company manages all potential risks such as strategic, operational, financial and hazardous risks that may affect operations and profitability in active and cost-effective manner.

(2) In the event of risk management, notify superior supervisors, auditors, general manager, chairman and the company's directors and supervisor of the board of directors.

(3) Conduct a pre-assessment risk assessment of the strategic operations by general manager's office, and conduct performance tracking of the operations after the event, so that the company's strategy can meet the vision and achieve the

company's operational objectives.

(4) The company has established relevant measures such as “Internal control system”, “Internal audit implementation rules” and “Self-evaluation procedures for internal control systems of the company”, according to each measure, it is implemented to control the risks, and the heads of various departments closely monitor the related risks, through the risk assessment by the audit department, continue to control and check above risk items. If a major violation is discovered or the company has suffered significant damage, the report is immediately made and notify supervisors, and the board of directors meeting must be convened immediately.

(2) Organization and management of risk management

(1) Board of Directors: the board of directors is the highest unit of company's risk management. It aims to promote and implement the company's overall risk management by following the laws and regulations, ensuring the effectiveness of risk management, and taking the ultimate responsibility of risk management.

(2) Finance Department: to build a highly efficient and high-quality financial platform to provide transparent and credible financial information, operational analysis and improvement solutions, with strict control, and appropriate tax planning, credit risk control and finance crisis prediction model that reduces corporate risk.

(3) Audit Department: based on risk-oriented annual audit plan, review the existence or potential risks of each operation, and be responsible for the revision and promotion of the internal control system to ensure the effective operation risk management of the company.

(4) Information Security Department: planning and improving the company's information management system, responsible for network information security control and protection measures, providing management with fast and effective operational management information to reduce information security risks.

(5) Each business unit: the heads of each business unit are responsible for the first-line risk management, responsible for analyzing and monitoring the related risks within units, and ensuring that the risk control mechanisms and procedures can be effectively implemented.

(3) Strategic risk:

(1) The impact of important domestic and international policies and legal changes

on the company's financial business and the corresponding measures:

The company always pays attention to the changes of important policies and laws at home and abroad and evaluates its impact on the company. The important changes in the laws relating to the operation of the Company are as follows:

The Financial Supervisory Committee of the Executive Yuan requested the listed companies to prepare financial reports follow the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations Announcement (IFRSs) since January 1, 2013, the company has set up a project group and adopted the IFRSs plan and regularly report the implementation to the company's board of directors. The potential impact of adopting IFRSs may include changing the accounting processes of some transactions and the way financial reports are expressed, the company will continue to pay attention to the impact of the amendment of IFRSs and the adjustment of relevant domestic supporting laws and regulations on the company, and in accordance with the provisions of year 2011 annual consolidated financial report and year 2012 mid-year and annual consolidated financial, explained the important contents and implementation of IFRSs program, and significant differences between IFRSs and current accounting policies.

The National Health Insurance Law, promulgated on January 26, 2011, provided the expansion of the premium base and the addition of the "Supplementary Premium" system. In the future, when the company issues bonuses for employees' compensation and non-recurring benefits, it will need to pay extra 2% of supplementary premium, which will increase the company's operating costs. The Company has fully considered the impact of this change on operating results and has made various relevant financial controls.

In the most recent year and up to the date of publication, apart from the above-mentioned laws and regulations, other relevant policies have no material impact on the financial operations of the company.

(4) Operation risks:

(1) Expected benefits, possible risks and corresponding measures for mergers and acquisitions:

Since year 2018 till annual report on beginning of the year, the company did not have any risk of mergers and acquisitions.

(2) Expected benefits, possible risks and response measures for the expansion of factory:

Since year 2018 till annual report on beginning of the year, the company did not have the risk of expanding factory.

(3) Concentration risk of incoming goods and corresponding measures:

The company's procurement of important components, based on the necessity of supply, to maintain at least two suppliers. Although it has established long-term and good cooperative relations with various suppliers, in the supplier management method, the quality, delivery, price and synergy spirit of each supplier is regularly evaluated to ensure the stability of the company's purchase to avoid the risk of insufficient supply due to force majeure.

(4) Concentration risk of sales and related measures:

The company's main source of revenue is the sales and service revenue of mechanical vision inspection and measurement system products, the main products can be applied to a variety of PCB processes, as high-precision measurement or inspection applications, so the sales and use of customer layer distribution is very wide, there is no risk of concentration of sales.

(5) Litigation or non-litigation event

i. The company's recent two-year and up the publication of annual report, those who have been determined to be or are currently in the process of litigation, non-litigation or administrative litigation, those outcomes may have a significant impact on shareholders' equity or securities prices: none.

ii. Directors, supervisors of the board of directors, general manager, substantive principals, major shareholders and subordinate companies with shareholding ratio more than 10%, for last two years and up to the date of publication of the prospectus, those who have been determined to determine or are currently in the system of litigation, non-litigation or administrative litigation, the results may have a significant impact on the company's shareholders' equity or securities prices: none.

iii. Directors, supervisors of the board of directors, general manager and major shareholders with shareholding ratio more than 10%, for last two years and up to the date of publication of the prospectus, has the circumstances of the 157th article of the Securities Exchange Act and current company handle situation: none.

(6) Risk of recruiting and retaining good employees

The growth and development of the company depends on the continuous service and contribution of senior executives and professional technical personnel. When the company needs to increase manpower demand in response to business growth, it may face the risk of failing to ensure timely filling of manpower requirements due to fierce competition in the human resource market. In view of this, the company provides a diversified and competitive salary system and is not afraid to share its long-term operational success with its colleagues. Therefore, the compensation committee of the board of directors of the Company has decided to adjust the company's compensation system and immediately distribute employee cash bonuses from the company's profits to attract and retain good employees. We believe that by sharing the results of our work with employees, we can not only encourage employees to continue their efforts, but also directly link employees' interests with shareholders' interests and create a win-win situation for the company, shareholders and employees.

(7) Future R&D plan and projected expense inputs

i. Future R&D plan

Project name	Main application
3D IC AVI	An effective visual inspection application for 3D IC packages to solve the dilemma that cannot be detected at present time.
Full scan dimension measuring machine	The integration of new image acquisition design and automatic loading and unloading, automatic sorting system enables rapid dimension measurements, and breaks through the application limits of previous sampling dimension measurement.
FPCB Assembly AVI	An effective visual inspection application for FPCB assembly is proposed to solve the problems of mass manual inspection and time consuming.

ii. The company expects investment funds in year 2019

Estimated investment in research and development in 2019: it is estimated that 10% to 15% of net operating income will be spent on research and development.

(8) The impact of technological changes and industrial changes on the company's financial business and the corresponding measures:

The company's core technology is mechanical vision, which can be applied in various industries. There are two major policy principles: one is to diversify the market, and the other is to deep cultivate the industries. In terms of diversify market, the company has invested in the development of the latest technologies in microelectronics industry such as PCB and IC carrier boards. In addition, the company has always focused on deep cultivate industries, obtained the latest information on industry pulse, and then developed the latest equipment to provide to the industries.

The Company is constantly paying attention to technological changes and technological developments in the industry, and grasping industry dynamics and market information, as well as continuously improving product quality and processes, actively expanding production capacity and improving research and development capabilities, also adopting sound financial management strategy, to maintain market competitiveness, technological changes and industrial changes currently have no significant impact on the company.

(9) The impact of corporate image change on corporate crisis management and response measures:

The company's impression is a professional manufacturer of mechanical vision testing and measuring equipment manufacturer, the company focuses on the research and development and company operation, and has a good reputation, we have obtained 50 patents and 9 patents under application at home and abroad. Since establishment, the company has actively strengthened internal management, focused on business operations, and is committed to maintaining impression and complying with relevant laws and regulations. As of now, there has been no change in corporate crisis management due to changes in corporate impression.

(10) The impact of changes in management power on the company, risks and response measures:

Since the beginning year 2017 up to annual report publication, the company has no risk of any change in management power.

(5) Financial risk

(1) The impact of interest rate, exchange rate change, and inflation on the

company's profit and loss and future response measures:

i. Interest rate

The company has no bank loans, so the change in interest rate has no significant impact on the company's profit and loss.

ii. Exchange rate

The company adopts the principle of conservative and stable management of foreign exchange risk and keeps abreast of exchange rate changes to reduce the impact of exchange rate fluctuations on the company's operating profit.

(2) Inflation

The company always pays attention to fluctuations in market prices, seeks the best alternative materials, and maintains good interaction with suppliers and customers, so there is no significant impact due to inflation.

(3) The policy, main reasons of profit or loss and future response measures for high risk, high leveraged investment, capital loan and other person, endorsement guarantee and derivative commodity trading:

The Company has established “Acquisition or Disposal of Asset Processing Procedures”, “Derivatives products Processing Procedures”, “Endorsement Guarantee Operating Procedures” and “Funding Loans to Others Operating Procedures” for compliance. Since the beginning of year 2017 up to annual report publication, the company has not been engaged in high-risk, highly leveraged investments, loans to others and endorsements for others.

(6) Other risks

(1) Directors, supervisors of the board of directors or major shareholders holding more than 10%, the impact of a large number of shares transferred or replaced on the company, risks and response measures:

The company has not been a director, supervisor of the board of directors or shareholder with more than 10% of shareholdings since the beginning of year 2017 up to annual report publication, there is no large amount of transfer or replacement of equity.

(6) Other important risks and response measures: none.

7. Other important matters: none.

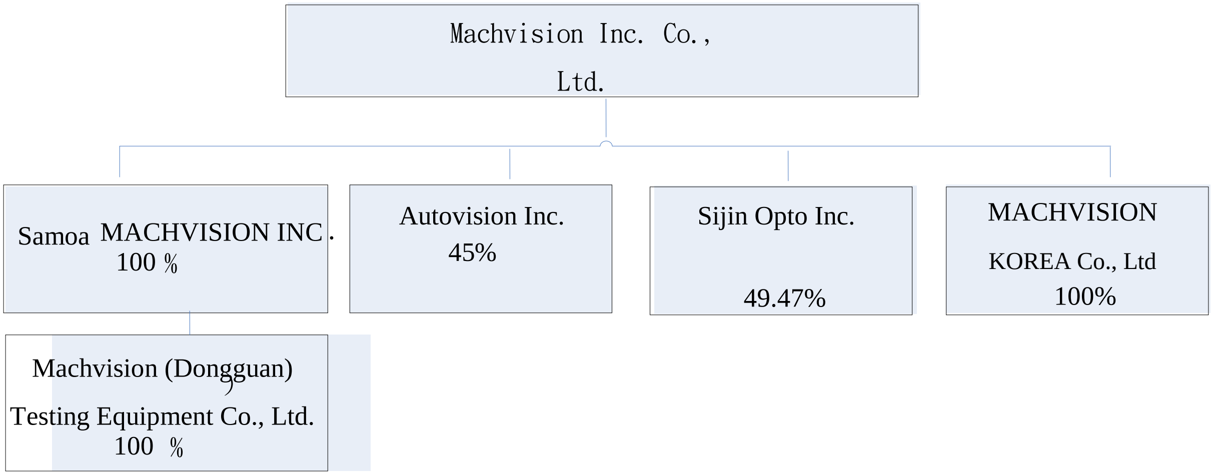
8. Special items

1. Related information for subsidiary companies

(1) Subsidiary companies consolidated business report

1. Overview of subsidiary companies

(1) Subsidiary companies organization chart



(2) Presumed control and subordinated company according to Article 369 of the Company Law: none.

(3) A subsidiary company that directly or indirectly controlled the personnel, finance or business operations by the Company in accordance with the second paragraph of Article 369 of the Company Law: none.

2. Basic information of each subsidiary company

Unit: NTD$1,000

Company name	Setup date	Address	Paid-up Capital	Major business item
Samoa MACHVISION INC.	12.09.04	Samoa	50,114	General investment business
Machvision (Dongguan) Testing Equipment Co., Ltd	06.02.05	China	50,042	Inspection machine equipment repair and wholesale
Autovision Inc.	04.07.15	Taiwan	5,000	Computer equipment, instrument manufacturing and wholesale
Sijin Opto Inc.	06.25.15	Taiwan	100,000	Mechanical equipment manufacturing
MACHVISION	03.28.19	Korea	21,542	Equipment repair and

KOREA Co., Ltd				wholesale

3. Presumed to be the same shareholder information for those with control and subordinated company: no such situation

4. Overall industries covered by subsidiary companies: refer to item 2.

5. Information on directors, supervisors of the board of directors and general managers of various subsidiary companies:

Unit: 1,000 shares; %

<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Title</th><th rowspan="2">Name or representative</th><th colspan="2">Holding shares</th></tr>
<tr><th>Number of shares</th><th>Shareholding ratio</th></tr>
<tr><td>Samoa MACHVISION INC.</td><td>Director</td><td>Machvision Inc. Co., Ltd. Representative: HUANG/CHIA-HSING</td><td>1,607,276</td><td>100%</td></tr>
<tr><td rowspan="4">Machvision (Dongguan) Testing Equipment Co., Ltd</td><td rowspan="3">Director</td><td>Machvision Inc. Co., Ltd. Representative: HUANG/CHIA-HSING</td><td rowspan="4">(Note 1)</td><td rowspan="4">100%</td></tr>
<tr><td>Machvision Inc. Co., Ltd. Representative: WANG/GUANG-SHIAH</td></tr>
<tr><td>Machvision Inc. Co., Ltd. Representative: CHUANG/YUNG-SHUN</td></tr>
<tr><td>General manager</td><td>Machvision Inc. Co., Ltd. Representative: HUANG/CHIA-HSING</td></tr>
<tr><td rowspan="5">Autovision Inc.</td><td rowspan="3">Director</td><td>Machvision Inc. Co., Ltd. Representative: WANG/GUANG-SHIAH</td><td>225,000</td><td>45%</td></tr>
<tr><td>Machvision Inc. Co., Ltd. Representative: YU/MING-CHANG</td><td>225,000</td><td>45%</td></tr>
<tr><td>LI/YUN-LAI</td><td>173,000</td><td>35%</td></tr>
<tr><td>Supervisor</td><td>YAN/WEI-CHYUN</td><td>0</td><td>0</td></tr>
<tr><td>General manager</td><td>LI/YUN-LAI</td><td>173,000</td><td>35%</td></tr>
<tr><td>Sijin Opto, Inc.</td><td>Director</td><td>Machvision Inc. Co., Ltd. Representative: WANG/GUANG-SHIA</td><td>4,947,000</td><td>49.47%</td></tr>
</table>

		H		
		Machvision Inc. Co., Ltd. Representative: YAN/WEI-CHYUN	4,947,000	49.47%
		Jiuyuan Electronics Co., Ltd. Representative: Chen Guibiao	2,400,000	24%
	Supervisor	Chen Peishi	0	0
	General manager	WANG/YUAN-NAN	300,000	3%
MACHVISION KOREA Co., Ltd	Chairman	Machvision Inc. Co., Ltd. Representative: CHEN/FU-SHEN	10,000	100%

Note 1: is limited company

6. Overview of subsidiary companies business operations

Unit: NTD$1,000

Company name	Capital amount	Total assets	Total liabilities	Net value	Operating revenue	Net operating (loss) profit	Current profit and loss	Surplus per share (NT$)
Samoa MACHVISION INC.	50,114	30,383	0	30,383	0	0	(9,987)	N/A
Machvision (Dongguan) Testing Equipment Co., Ltd	50,042	267,069	236,482	30,587	246,028	(10,208)	(9,987)	N/A
Autovision Inc.	5,000	8,854	2,652	6,202	8,249	2,816	2,516	-
Sijin Opto, Inc.	100,000	153,969	39,644	114,325	78,054	23,151	19,655	-
MACHVISION KOREA Co., Ltd	21,542	21,542	0	21,542	0	0	0	-

(2) Subsidiary companies consolidated business report: please refer to pages 109 to 152.

The company's year 2017 (from January 1, 2018 to December 31, 2018) is based on the "Subsidiary Companies Business Consolidation Report, Subsidiary Companies Consolidated Financial Statements and the Relationship Reports" that should include in the preparation of the financial statements of subsidiary companies business combination is the same as the company that should be included in the consolidated financial statements of the parent and subsidiary companies in accordance with the Financial Accounting Standards Bulletin No. 7. Moreover, the relevant information disclosed in the financial statements of the consolidated financial statements of parent company and subsidiary companies, and the consolidated financial statements of subsidiary companies are not prepared separately.

(3) Relationship Report: not applicable

2. In the most recent year and up to the publication of annual report, private equity securities processing situation: no.

3. In the most recent year and up to the publication of annual report, the subsidiary held or disposed of the company's stock: no.

4. Other necessary supplementary notes: none.

9. In the most recent year and up to the publication of annual report, in the event of a securities transaction law, Article 36, Item 2, Paragraph 2, or matters that have a significant impact on shareholders’ right or the price of securities: none.

Machvision Inc. Co., Ltd.

Chairman:
WANG/GUANG-SHIAH