Stock Code: 3563

MACHVISION INC. CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors’ Review Report

For the Nine Months Ended September 30, 2019 and 2018

Company Address: **No. 2-3, Gongye East. 2nd Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)**

Tel: **(03)563-8599**

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.

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Independent Auditors' Review Report

The Board of Directors of Machvision Inc. Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Machvision Inc. Co., Ltd. and its subsidiaries, as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018, and for the nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements [including a summary of significant accounting policies]. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by in dependent auditors. These financial statements reflect total assets amounting to $545,506 thousand and $249,404 thousand, constituting 18% and 9% of consolidated total assets as of September 30, 2019 and 2018, respectively, total liabilities amounting to $121,877 thousand and 37,912 thousand, constituting 12% and 4% of consolidated total liabilities as of September 30, 2019 and 2018, respectively, and total comprehensive loss amounting to $(26,425) thousand, ($3,199) thousand, ($29,218) thousand and ($14,511) thousand, constituting (14)%, (1)%, (4)% and (2)% of consolidated total comprehensive income (loss) for the three months and the nine months ended September 30, 2019 and 2018, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of MACHVISION Inc. and its subsidiaries as of September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months ended September 30, 2019 and 2018, and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG
CPA: Bo-Shu Huang
An-Tien Yu
Reference number
Issue no.：Tai-Finance-Securities-(6)-0920122026
(88)-Tai-Finance-Securities-(6)-18311
October 30, 2019

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2019 and 2018

MACHVISION INC. CO., LTD. AND SUBIDIARIES

Consolidated Balance Sheets

September 30, 2019, December 31, 2018, and September 30,2018

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2019		December 31, 2018		September 30, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current Assets:						
1100	Cash and cash equivalents (Note 6(a))	$ 638,013	21	1,764,842	51	1,441,379	49
1151	Notes receivable (Note 6(b))	17,415	-	18,379	1	9,966	-
1170	Accounts receivable (Note 6(b))	1,475,794	50	1,076,197	31	890,698	31
130x	Inventories (Note 6(c))	285,156	10	234,001	7	267,076	9
1410	Prepayments	17,798	1	8,785	-	11,418	-
1479	Other current assets	21,634	1	7,178	-	4,894	-
	Total current assets	2,455,810	83	3,109,382	90	2,625,431	89
	Non-Current Assets:						
1510	Financial assets at fair value through profit or loss - non-current (Note 6(d))	9,644	-	9,644	-	9,644	-
1600	Property, plant and equipment (Notes 6(e))	263,788	9	238,607	7	221,221	8
1755	Right of-use assets (Note 6(f))	112,684	4	-	-	-	-
1780	Intangible asset	220	-	303	-	330	-
1840	Deferred tax assets	25,686	1	25,686	1	13,730	1
1920	Refundable deposits	12,353	-	5,285	-	3,422	-
1932	Long-term receivable (Note 6(b))	83,971	3	80,951	2	57,509	2
1995	Other non-current assets – other (Note 8)	6,138	-	2,189	-	2,188	-
	Total non-current assets	514,484	17	362,665	10	308,044	11
	Total Assets	$ 2,970,294	100	3,472,047	100	2,933,475	100

		September 30, 2019		December 31, 2018		September 30, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:						
2130	Contract liabilities - current (Note 6(o))	$ 23,945	1	82,716	2	56,647	2
2150	Notes payable	798	-	1,358	-	748	-
2170	Accounts payable	345,136	12	318,692	9	287,346	10
2209	Other payables (Note 6(p))	486,772	16	457,106	14	450,700	16
2230	Current tax liabilities	22,673	1	271,716	8	157,517	5
2250	Provision - current (Note 6(i))	28,125	1	45,353	1	40,741	1
2280	Lease liabilities - current (Note 6(h))	15,423	1	-	-	-	-
2399	Other current liabilities – other	8,723	-	13,498	1	6,559	-
	Total current liabilities	931,595	32	1,190,439	35	1,000,258	34
	Non-Current Liabilities:						
2570	Deferred tax liabilities	780	-	780	-	-	-
2640	Net defined benefit liabilities – non-current	9,497	-	9,497	-	8,757	-
2580	Lease liabilities – non-current (Note 6(h))	97,898	3	-	-	-	-
	Total non-current liabilities	108,175	3	10,277	-	8,757	-
	Total liabilities	1,039,770	35	1,200,716	35	1,009,015	34
	Equity Attributable to Owners of The Corporation (Note 6(m)):						
3100	Ordinary shares	426,082	14	426,082	12	426,082	15
	Capital surplus:						
3211	Capital surplus – additional paid-in capital	59,485	2	59,485	2	59,485	2
3235	Capital surplus - changes equity of in subsidiaries	4	-	4	-	4	-
3280	Capital surplus - others	23	-	3	-	3	-
		59,512	2	59,492	2	59,492	2
	Retained earnings:						
3310	Legal reserve	309,915	10	180,274	5	180,274	6
3320	Special reserve	2,957	-	2,507	-	2,507	-
3350	Unappropriated retained earnings	1,031,893	35	1,544,754	44	1,203,538	41
		1,344,765	45	1,727,535	49	1,386,319	47
	Other equity:						
3410	Exchange differences on translation of foreign financial statements	(3,896)	-	(2,957)	-	(2,839)	-
	Total equity attributable to of the parent	1,826,463	61	2,210,152	63	1,869,054	64
36xx	**Non-Controlling Interests**	104,061	4	61,179	2	55,406	2
	Total equity	1,930,524	65	2,271,331	65	1,924,460	66
	Total Liabilities and Equity	$ 2,970,294	100	3,472,047	100	2,933,475	100

See accompanying notes to consolidated financial statements.

Chairman: Wang, Guang-Shiah **President: Chen, Fu-Sheng** **Accounting Supervisor: Tsai, Chia-Fen**

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2019 and 2018

Machvision Inc. Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30,2019 and 2018

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

		For the three months ended September 30				For the nine months ended September 30			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating Revenue (Note 6(o))**	$ 642,973	100	965,248	100	2,093,625	100	2,267,465	100
5000	**Operating Costs (Notes 6(c), 6(e), 6(f), 6(k), 6(p) and 7)**	239,043	37	262,561	27	708,916	34	645,573	29
5900	**Gross Profit**	403,930	63	702,687	73	1,384,709	66	1,621,892	71
6000	**Operating Expenses (Notes 6(b), 6e), 6(f), 6(k), 6(p) and 7)**								
6100	Selling expenses	78,721	12	83,530	9	187,004	9	201,374	9
6200	Administrative expenses	28,850	5	19,631	2	93,671	4	144,850	6
6300	Research and development expenses	54,162	8	69,987	7	157,393	7	131,740	6
6450	Expected credit impairment loss (or gain)	(795)	-	1,268	-	(6,949)	-	2,750	-
	Total operating expenses	160,938	25	174,416	18	431,119	20	480,714	21
	Net operating income	242,992	38	528,271	55	953,590	46	1,141,178	50
7000	**Non-Operating Income and Expenses (Notes 6(h) and 6(q))**								
7010	Other income	2,406	-	2,081	-	7,115	-	6,339	-
7020	Other gains and losses	(3,707)	(1)	(2,539)	-	8,814	-	23,257	1
7050	Finance costs	(679)	-	-	-	(1,182)	-	-	-
	Total non-operating income and expenses	(1,980)	(1)	(458)	-	14,747	-	29,596	1
	Profit Before Income Tax	241,012	37	527,813	55	968,337	46	1,170,774	51
7950	**Less: INCOME TAX EXPENSE (Note 6(l))**	46,345	7	92,974	10	187,363	9	210,744	9
	Net Profit for The Period	194,667	30	434,839	45	780,974	37	960,030	42
8300	**Other Comprehensive Income (Loss):**								
8360	**Items that may be reclassified subsequently to profit or loss**								
8361	Financial statements translation differences for foreign operations	(2,229)	-	(717)	-	(1,792)	-	(332)	-
8399	Income tax expense relating to components of other comprehensive income(loss)	-	-	-	-	-	-	-	-
	Total Items that may be reclassified subsequently to profit or loss	(2,229)	-	(717)	-	(1,792)	-	(332)	-
8300	**Other comprehensive income (loss) for the period**	(2,229)	-	(717)	-	(1,792)	-	(332)	-
	Total Comprehensive Income for the period	**$ 192,438**	**30**	**434,122**	**45**	**779,182**	**37**	**959,698**	**42**
	Net income attribute to:								
	Owners of the parent company	$ 195,890	30	429,217	44	767,652	37	954,488	42
8620	Non-Controlling Interests	(1,223)	-	5,622	1	13,322	-	5,542	-
		$ 194,667	**30**	**434,839**	**45**	**780,974**	**37**	**960,030**	**42**
	Comprehensive Income Attributed To:								
	Owners of the parent company	$ 194,514	30	428,500	44	766,713	37	954,156	42
	Non-Controlling Interests	(2,076)	-	5,622	1	12,469	-	5,542	-
		$ 192,438	**30**	**434,122**	**45**	**779,182**	**37**	**959,698**	**42**
9750	**Earnings Per Share (Note 6(n))**								
9710	Basic earnings per shares (in New Taiwan dollars)	**$ 4.60**		**10.07**		**18.02**		**22.40**	
9810	Diluted earnings per shares (in New Taiwan dollars)	**$ 4.56**		**9.99**		**17.86**		**22.20**	

See accompanying notes to consolidated financial statements.

Chairman: Wang, Guang-Shiah **President: Chen, Fu-Sheng** **Accounting Supervisor: Tsai, Chia-Fen**

Reviewed only, not audited in accordance with generally accepted auditing standards

Machvision Inc. Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2019 and 2018

(Express in Thousand of New Taiwan Dollars)

	Interests attributable to parent company owner									
			Retained earnings				Other interests			
	Ordinary shares	Capital surplus	Legal reserve	Special reserves	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of the parent	Non-Controlling Interests	Total Equity
Balance at January 1, 2018	$ 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 earning										
Legal reserve	-	-	46,274	-	(46,274)	-	-	-	-	-
Special reserve	-	-	-	466	(466)	-	-	-	-	-
Cash dividend of ordinary share	-	-	-	-	(426,082)	(426,082)	-	(426,082)	-	(426,082)
Other changes in capital surplus	-	3	-	-	-	-	-	3	-	3
Profit for the period	-	-	-	-	954,488	954,488	-	954,488	5,542	960,030
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(332)	(332)	-	(332)
Comprehensive Income for the period	-	-	-	-	954,488	954,488	(332)	954,156	5,542	959,698
Balance at September 30, 2018	**$ 426,082**	**59,492**	**180,274**	**2,507**	**1,203,538**	**1,386,319**	**(2,839)**	**1,869,054**	**55,406**	**1,924,460**
Balance at January 1, 2019	$ 426,082	59,492	180,274	2,507	1,544,754	1,727,535	(2,957)	2,210,152	61,179	2,271,331
Appropriation and distribution of retained earning										
Legal reserve	-	-	129,641	-	(129,641)	-	-	-	-	-
Special reserve	-	-	-	450	(450)	-	-	-	-	-
Cash dividend of ordinary share	-	-	-	-	(1,150,422)	(1,150,422)	-	(1,150,422)	-	(1,150,422)
Other changes in capital surplus	-	20	-	-	-	-	-	20	-	20
Profit for the period	-	-	-	-	767,652	767,652	-	767,652	13,322	780,974
Total other comprehensive income (loss) for the period	-	-	-	-	-	-	(939)	(939)	(853)	(1,792)
Total Comprehensive Income for the period	-	-	-	-	767,652	767,652	(939)	766,713	12,469	779,182
Changes in non-controlling interests	-	-	-	-	-	-	-	-	30,413	30,413
Balance at September 30, 2019	**$ 426,082**	**59,512**	**309,915**	**2,957**	**1,031,893**	**1,344, 765**	**(3,896)**	**1,826,463**	**104,061**	**1,930,524**

See accompanying notes to consolidated financial statements.

Chairman: Wang, Guang-Shiah **President: Chen, Fu-Sheng** **Accounting Supervisor: Tsai, Chia-Fen**

<u>Reviewed only, not audited in accordance with generally accepted auditing standards</u>

Machvision Inc. Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

(Express in Thousand of New Taiwan Dollars)

	For the nine months ended September 30	
Cash Flows From Operating Activities:	**2019**	**2018**
Profit before tax	$ 968,337	1,170,774
Adjustments :		
Adjustments to reconcile profit		
Depreciation	15,686	10,017
Amortization	83	236
Expected credit loss	(6,949)	2,750
Interest expenses	1,182	-
Interest income	(4,936)	(4,755)
Dividend Revenue	(1,326)	-
Loss on disposal of property, plant and equipment	(108)	(109)
Total Adjustments to reconcile profit	3,632	8,139
Changes in operating assets and liabilities:		
Changes in operating assets		
Notes receivable	964	(7,013)
Accounts receivable	(392,648)	(184,500)
Inventories	(51,155)	(80,525)
Prepayments	(9,066)	(8,162)
Other current assets	(14,303)	612
Long-term account receivable	(2,990)	(41,863)
Total change in operating assets, net	(469,198)	(321,451)
Net changes in operating liabilities:		
Contract liabilities	(58,771)	38,433
Notes payable	(560)	224
Accounts payable	26,444	101,451
Other payables	29,666	232,162
Provisions liabilities	(17,228)	20,553
Other current liabilities	(4,775)	(5,075)
Total changes in operating liabilities, net	(25,224)	387,748
Total changes in operating assets and liabilities, net	(494,422)	66,297
Total adjustments	(490,790)	74,436
Cash provided by operations activities	477,547	1,245,210
Interest received	4,806	5,073
Income tax paid	(436,406)	(119,038)
Net cash provided by operating activities	45,947	1,131,245
Cash Flows From Investing Activities:		
Acquisition of property, plant and equipment	(36,156)	(18,091)
Proceeds from disposal of property, plant and equipment	143	220
Increase(decrease) in refundable deposits	(7,068)	2,345
Increase(decrease) in other non-current assets	(2,517)	(2)
Dividends received	1,326	-
Net cash (used in) investing activities	(44,272)	(15,528)
Cash Flows From Financing Activities:		
Decrease in lease payable	(7,416)	-
Cash dividends paid	(1,150,422)	(426,082)
Change in non-controlling interests	30,413	-
Surplus not paid due to overdue	20	3
Net cash used in financing activities	(1,127,405)	(426,079)
Effects of Exchange Rate Changes On Cash and Cash Equivalents	(1,099)	272
Net Increase In Cash and Cash Equivalents	(1,126,829)	689,910
Cash and Cash Equivalents at The Beginning of The Period	1,764,842	751,469
Cash and Cash Equivalents at The End of The Period	**$ 638,013**	**1,441,379**

See accompanying notes to consolidated financial statements.

Chairman: Wang, Guang-Shiah **President: Chen, Fu-Sheng** **Accounting Supervisor: Tsai, Chia-Fen**

Reviewed only, not audited in accordance with generally accepted auditing standards

MACHVISION INC. CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the nine months ended September 30, 2019 and 2018
(Express in Thousand 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 (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 dated September 30, 2019 include the Company and its subsidiaries (the Group). The Group is mainly engaged in the manufacturing, maintenance 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 issued on October 30, 2019.

(3). Application of new, amended and revised standards and interpretations

(A) The impact from application of amendments to the Regulations endorsed, issued into effect and amended by the Financial Supervisory Commission (FSC)

The Group's 2019 consolidated financial report has been prepared in accordance with the International Financial Reporting Standards approved by the Financial Supervisory Commission (hereinafter referred to as FSC) in 2019. Differences between this version and the previous version are listed as follows:

New/amended IFRSs	Effective Date Announced by IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	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 IFRSs 2015-2017 Cycle	January 1, 2019

Except for the following, the initial application of the IFRSs endorsed into effect has no material impact on the consolidated financial statements: The description of material impacts are as follows:

1. IFRS 16 "Leases"

International Financial Reporting Standards No. 16 "Leases" (hereinafter referred to as IFRS 16) has replaced the original International Accounting Standards No. 17 "Leases" (hereinafter referred to as IFRS 17), the IFRIC Interpretations No. 4 ". Determining whether an Arrangement contains a Lease" (hereinafter referred to as IFRIC 4), IFRIC 15 "Business Leasing: Incentives", and IFRIC 27 "Assessing the substance of the transaction in the legal form involving the lease".

The Group applies IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. The description of changes in relevant accounting policies are as follows:

(1) Definition of a lease

The Group originally applied IFRIC 4 to contracts on the effective date in order to determine whether those contracts are, or contain, a lease. After the amendments to accounting policies, the Group will elect to apply IFRS 16 to contracts in order to determine whether those contracts are, or contain, a lease. Please refer to Note 4(c) for the accounting policies.

For transitional provisions under IFRS 16, the Group expects to apply the practical expedients to exempt it from assessment of whether the transaction before the initial application date is a lease. Hence, the Group directly applies IFRS16 for previous contracts identified as leases. Contracts identified as not containing a lease under IAS 17 and IFRIC 4 will not be reassessed. Therefore, the definition of a lease set out in IFRS 16 is only applicable to contracts signed or changed on the initial and subsequent application date.

(2) Lessee

Transactions with the Group as lessee are previously classified based on whether lease contracts have transferred almost all risks and returns of the underlying asset. Under IFRS16, the Group will recognize right-of-use assets or investment properties for all lease contracts on the consolidated balance sheets.

The leased office equipment will be exempted from recognition for low-value and short-term leases.

For transitional provision, the contracts previously classified as operating lease under IAS 17 are measured at the present value of residual lease payments, and discounted with the Group’s incremental borrowing rate on the initial application date. The right-of-use assets are calculated by one of the following:

A. The carrying amount of right-of-use assets initially under IFRS16 from the effective date, but discounted with the lessee's incremental borrowing rate on the initial application date. This method is applied to large real estate leases; or

B. The amount of lease liabilities adjusted for all lease prepayments or lease payables related to the lease. This method is applied to all other leases.

In addition, the Group expects to apply the following practical expedients for transitional provisions under IFRS16:

A. The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

B. Assessment results of onerous leases in accordance with IAS 37 “provision, contingent liabilities and contingent assets” before the initial application date instead of the impairment assessment of right-of-use assets.

C. The Group will account for those leases for which the lease term ends within 12 months after the initial application date as exempted from recognition of right-of-use assets and lease liabilities.

D. The Group will exclude initial direct costs from the measurement of right-of-use assets on the initial application date.

E. The Group will use hindsight, such as in determining lease terms, for the extension or termination option of lease contracts.

(3) Impact on the financial statements

For the transitional provisions under IFRS16, the Group recognized NT$71,348 thousand as right-of-use assets and lease liabilities at the initial application date. The lease liability is discounted with the Group's weighted average incremental borrowing rate of 1.5% on the initial application date.

Adjustment on the amount of operating lease commitments disclosed in the fiscal year prior to the initial application date and the amount of lease liabilities recognized on the initial application date are as follows:

	January 1, 2019
The amount of operating lease commitments are disclosed in the consolidated financial statements in December 31, 2018	$ 700
To reasonably determine the extension or termination option of lease contracts	93,003
	$ 93,703
Discounted with the Group's incremental borrowing rate in January 1, 2019	$ 71,348
Finance lease payables recognized in December 31, 2018	-
Lease liabilities recognized in January 1, 2019	$ 71,348

(B) The impact of IFRS endorsed by FSC that will soon take effect

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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective Date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 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 IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020

(4). Summary of significant accounting policies

Except for the following, the summary of significant accounting policies of this consolidated financial statement is equivalent to that in 2018. Please refer to Note 4 in the 2018 consolidated financial statement for related information.

MACHVISION INC. CO., LTD .AND SUBSIDIARIED

Notes to the Consolidated Financial Statement

(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 and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements in accordance with the IFRS, IAS and IFRIC endorsed and issued into effect by the FSC (hereinafter referred to as "the IFRS endorsed by the FSC").

(b) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated entities include the Machvision Inc. Co., Ltd. and its subsidiaries.

The consolidation of the financial statements are prepared from the date which Machvision has control over the subsidiary until the date when the Group ceases to have control.

The transactions between the Corporation and its subsidiaries, balances and any unrealized gains and expenses have been eliminated on consolidation.

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

Investor	Subsidiary	Nature of business	Percentage of ownership			Notes
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	Machvision Inc.	Investment	100.00%	100.00%	100.00%	
The Company	Autovision Technology Inc.	Manufacturing of computer peripheral products	45.00%	45.00%	45.00%	Note 1
The Company	Sigold Optics. Inc.	Manufacturing of optical inspection machinery equipment	49.47%	49.47%	49.47%	Note 2
The Company	Machvision Korea Co., Ltd.	Maintaining and trading of machinery equipment	100.00%	- %	- %	
The Company	Machvision Holding (Samoa) Limited	Investment	100.00%	- %	- %	
Machvision Inc.	Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	100.00%	100.00%	100.00%	
Machvision Holding (Samoa) Limited	Guangdong GreatSense Intelligent Equipment Co., Ltd.	Maintaining and trading of machinery equipment	51.00%	- %	- %	

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 operating policy decision.

Note 2: The Company holds 49.47% of ownership of Sigold Optics Inc. However, it remains to be a subsidiary since the Company retains control of its financial and operational policy decision.

(Continued)

(c) Lease (applicable on January 1, 2019)

1. Lease judgments

The Group determines whether contracts are, or contain, a lease upon the formation on contract. If the contract transfers control rights of an identified asset over a period, the contract is, or contain, a lease. The Group considers the following items to assesses whether contracts are a lease:

(1) The lease contract involves identified assets that is clearly specified in the contract or implicitly specified at the time the asset is made available for use. An identified asset can be physically distinct or represents substantially all of the capacity of the asset. If the supplier has substantive rights to substitute alternative assets, the asset is not an identified asset; and

(2) Has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and

(3) A customer has the right to direct the use of an identified asset throughout the period of use only if either:

- The customer has the right to direct how and for what purpose the asset is used throughout the period of use.
- The relevant decisions about how and for what purpose the asset is used are predetermined and:
  - The customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - The customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

On the commencement date or when reassessing whether the contract contains a lease, the Group allocates the consideration in the contract between the separate lease components of the contract on a relative stand-alone selling price basis.

2. Lessee

The Group recognizes the right-of-use asset and lease liability on the commencement date. The right-of-use asset is measured at cost, which includes the original lease liability, any lease payment on or before the effective date of the lease modification, and the initial direct costs and the estimated dismantling and removal costs of the underlying asset, less any lease incentives receivable.

The Group subsequently depreciates, generally on a straight-line basis, the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Group determines whether right-of-use asset is impaired on a regular basis, and recognizes an impairment loss and the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease as described above if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. Generally, the Group elects the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprises the following:

(1) Fixed payments or in-substance fixed payments.

(2) Variable payments that depend on an index or a rate made during the lease term and initially measured using the index or rate at the commencement date.

(3) Prepayments of residual value guarantees; and

(4) The determined payment amount or termination penalties for exercising an option or terminating a lease.

Lessees are also required to remeasure lease payments upon a change in any of the following:

(1) Future lease payments resulting from a change in an index or rate.

(2) The amounts expected to be payable by the lessee from residual value guarantees.

(3) The assessment of whether to exercise an option to purchase the underlying asset.

(4) The estimate of whether to extend or terminate a lease, and the assessment of changing the period of the lease.

(5) The underlying asset, scope and other terms.

The Group recognizes the amount of the remeasurement of the lease liability to reflect the aforementioned change in index or rate for lease payments, the change in residual value guarantees, and the change in assessment of whether to purchase, extend or terminate a lease. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee recognizes any remaining amount of the remeasurement in profit or loss.

For a modification that fully or partially decreases the scope of the lease, the Group shall decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease, and shall recognize any difference of remeasuring the lease liability in profit or loss.

The Group recognizes lease liabilities or right-of-use assets that do not meet the definition of investment property as its balance sheet line items.

The Group elects not to recognize lease liabilities or right-of-use assets to either short-term leases or leases for which the underlying asset is of low value, and shall instead recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(d) Employee benefit

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

(e) Income taxes

The Group measures and discloses interim period income taxes in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

The income tax is calculated by multiplying the interim period pre-tax profit by the best estimate of the manager’s effective tax rate for the annual and recognized as current income tax expense.

The income tax is recognized directly in equity or other comprehensive income by applying the tax rate that would be applicable when it is expected to be realized or settled according to the temporary difference between the carrying amount and tax basis of related assets and liabilities of the financial statement.

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

Managers must make judgments, estimates and assumptions when preparing the consolidated financial statements in accordance with preparation standards and IAS 34 “Interim Financial Reporting” endorsed by the FSC, as it will influence accounting policies and the amount of assets, liabilities, income and expenses in the statements. There may be differences between actual results and estimations.

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in Note 5 of the Group’s consolidated financial statements for the year ended December 31, 2018.

(Continued)

6. Explanation of significant accounts

(a) Cash and Cash Equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	$ 1,434	1,013	809
Saving deposits	212,991	327,667	207,596
Checking deposits	-	500	-
Foreign currency deposits	152,279	141,532	135,373
Time deposits	271,309	1,294,130	1,097,601
Cash and cash equivalents per statements of cash flow	$ 638,013	1,764,842	1,441,379

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) of the group interest rate risk and sensitivity analysis of the Group's financial assets and liabilities.

(b) Notes accounts and long-term accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	$ 17,415	18,379	9,966
Accounts receivable	1,481,364	1,088,717	897,114
Long-term account receivable	84,826	81,776	58,101
Less: Allowance for impairment	5,570	12,520	6,416
Unrealized Interest Income	855	825	592
	$ 1,577,180	1,175,527	958,173

The Group estimates the expected credit losses for all notes receivable and trade receivable via a simplified approach, which is the expected credit losses in the duration period. for the purpose of measurement, the notes receivable and trade receivable are classified based on the common credit risk which represents the customer's payment capability in compliance with the terms of the contract, as well as the forward-looking information including the macroeconomic and related industry information. The Group's credit loss of notes receivable and trade receivable was as follows:

	September 30, 2019		
	Gross carrying amount	**Weighted average of credit loss rate**	**Loss allowance provision**
Current	$ 1,327,917	0.0002%	3
1 to 90 days past due	113,703	0.1829%	208
91~180 days past due	76,961	1.4020%	1,079
181~270 days past due	62,398	4.9841%	3,110
271~365 days past due	1,281	53.0835%	680
Over 365 days past due	490	100.000%	490
	$ 1,582,750		5,570

	December 31, 2018		
	Gross carrying amount	**Weighted average of credit loss rate**	**Loss allowance provision**
Current	$ 879,030	0%	-
1 to 90 days past due	232,506	0.069%	161
91~180 days past due	47,205	0.966%	456
181~270 days past due	7,935	2.974%	236
271~365 days past due	16,474	41.096%	6,770
Over 365 days past due	4,897	100.000%	4,897
	$ 1,188,047		12,520

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	September 30, 2018		
	Gross carrying amount	Weighted average of credit loss rate	Loss allowance provision
Not overdue	$ 768,142	0%	-
Less than 90 days	134,244	0.006%	7
91~180 days	30,728	0.048%	8
181~270 days	25,128	0.293%	73
271~365 days	28	32.478%	9
Over 365 days	6,319	100.000%	6,319
	$ 964,589		6,416

The movements in the allowance of notes receivable and account receivable were as follows:

	From January 2019 to September 2019	From January 2018 to September 2018
Balance, beginning of period	$ 12,520	3,674
Impairment losses (reversal) recognized	(6,949)	2,750
Foreign exchange losses	(1)	(8)
Balance, end of period	$ 5,570	6,416

The Group did not hold any collateral or discount over the notes receivable, account receivable and long-term receivable.

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:

	September 30, 2019	December 31, 2018	September 30, 2018
Finished goods	$ 77,987	42,284	51,707
Work in process	75,299	48,961	82,588
Raw materials	131,870	142,756	132,781
	$ 285,156	234,001	267,076

The Group’s inventories were not provided as assets pledged.

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

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Losses on decline in market value of inventory	$ 2,261	6,120	8,992	20,341

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

	September 30, 2019	December 31, 2018	September 30, 2018
Mandatorily measured at fair value through profit or loss:			
Unlisted stocks (domestic)－Yayatech Co., Ltd	$ 9,644	9,644	9,644

(Continued)

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Notes to the Consolidated Financial Statement

(e) Property, plant and equipment

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

		Buildings	Mechanical equipment	Other equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2019	$	235,761	4,357	11,378	27,874	279,370
Additions		19,703	515	10,298	5,640	36,156
Reclassification		10,073	-	-	(11,505)	(1,432)
Disposals		(193)	(622)	(2,321)	-	(3,136)
Effect of movement in exchange rate		(897)	-	(170)	-	(1,067)
Balance at September 30, 2019	$	264,447	4,250	19,185	22,009	309,891
Balance at January 1, 2018	$	235,624	3,957	10,609	-	250,190
Additions		-	-	1,408	16,683	18,901
Disposal		-	(2,300)	(1,101)	-	(3,401)
Effect of movement in exchange rates		(899)	-	(29)	-	(928)
Balance at September 30, 2018	$	234,725	1,657	10,887	16,683	263,952
Depreciation and impairment loss:						
Balance at January 1, 2019	$	34,022	1,162	5,579	-	40,763
Depreciation		6,194	581	2,036	-	8,811
Disposals		(181)	(622)	(2,298)	-	(3,101)
Effect of movement in exchange rate		(338)	-	(32)	-	(370)
Balance at September 30, 2019	$	39,697	1,121	5,285	-	46,103
Balance at January 1, 2018	$	27,967	3,141	5,220	-	36,328
Depreciation		8,215	237	1,565	-	10,017
Disposals		-	(2,300)	(990)	-	(3,290)
Effect of movement in exchange rate		(310)	-	(14)	-	(324)
Balance at September 30, 2018	$	35,872	1,078	5,781	-	42,731
Carrying amounts:						
January 1, 2019	$	201,739	3,195	5,799	27,874	238,607
September 30, 2019	$	224,750	3,129	13,900	22,009	263,788
January 1, 2018	$	207,657	816	5,389	-	213,862
September 30, 2018	$	198,853	579	5,106	16,683	221,221

(f) Right-of-use assets

The movement in the cost and depreciation of the leased land, buildings, employees' dormitories and transportation equipment were as follow:

		Land and buildings	Other equipment	Total
Cost:				
Balance at January 1, 2019	$	-	-	-
Effect of retrospective application		62,107	9,241	71,348
Balance at January 1, 2019		62,107	9,241	71,348
Additions		48,191	5,889	54,080
Modification		(5,532)	-	(5,532)
Effect of changes in exchange rates		(348)	(26)	(374)
Balance at September 30, 2019	$	104,418	15,104	119,522
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$	-	-	-
Depreciation		3,091	3,784	6,875
Effect of changes in exchange rates		(34)	(3)	(37)
Balance at September 30, 2019	$	3,057	3,781	6,838
Carry amounts:				
September 30, 2019	$	101,361	11,323	112,684

The Group’s leased land under operating leases for the nine months ended September 30, 2018.

(g) Intangible assets

The Group had no significant recognition (reversal) for the addition, disposal and impairment of intangible assets during the nine months ended September 30, 2019 and 2018. Please refer to Note 12(a) for the balance of amortized intangible assets, and Note 6(g) of the 2018 Consolidated Financial Report.

(h) Lease liabilities

The carrying amounts of lease liabilities for the Group were as follows:

	September 30, 2019
Current	$ 15,423
Non-current	$ 97,898

Please refer to Note 6(r) of maturity analysis.

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
Interest on lease liabilities	$ 679	1,182
Expense relating to short-term	$ 2,125	4,955
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 462	818

The amounts recognized in the statement of cash flows for the Group was as follow:

	For the nine months ended September 30, 2019
Total cash outflow for leases	$ 13,189

(i) Provision

	September 30, 2019	December 31, 2018	September 30, 2018
Warranties	$ 28,125	45,353	40,741

As there were no significant change in the Group's provision for liabilities for the nine months ended September 30, 2019 and 2018, please refer to Note 6(h) of the 2018 Consolidated Financial Report.

(j) Operating leases

There were no significant new operating leases for the nine months ended September 30, 2018, please refer to Note 6(i) of the 2018 Consolidated Financial Report.

(k) Employee benefits

(i) Defined benefit plans

Management believes that there was no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

The Group's expenses recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Operating cost	$ 6	8	18	18
Operating expenses	9	9	28	28
Total	$ 15	17	46	46

(ii) Defined contribution plans

The contributions of the Group to the Bureau of the Labor Insurance and China Labor and Social Security Bureau for the employees' pension benefits were as follows:

		For the three months ended September 30		For the nine months ended September 30	
		2019	**2018**	**2019**	**2018**
Operating costs	$	1,532	1,005	4,205	2,826
Operating expenses		1,847	1,436	4,988	4,409
Total	$	3,379	2,441	9,193	7,235

(l) Income tax

The Income tax expense is estimated by the pretax net profit during the reporting period, which is multiplied by the best estimate of the effective tax rate of the management for the whole year.

The Group's income taxes were as follows:

		For the three months ended September 30		For the nine months ended September 30	
		2019	**2018**	**2019**	**2018**
Current tax expenses:					
Current period	$	46,345	92,974	189,261	207,652
Adjustment for prior period		-	-	(1,898)	3,092
Income tax on continuing operations	$	46,345	92,974	187,363	210,744

The Company income tax have examined and approved by the tax authorities to 2016.

(m) Capital and other equity

Except for the following, there was no significant change in the Group's capital and other equity for the nine months ended September 30, 2019 and 2018. Please refer to Note 6(l) of the 2018 Consolidated Financial Report.

1. Retained earnings

Under the dividend policy as set forth in the Company revised Articles of Incorporation in May 29, 2019, the surplus earning distribution or loss offsetting proposal may be proposed at the close of each quarter or each half of the fiscal year. If the Company made profit in each half of the fiscal year, the profit shall be first utilized for paying taxes, estimate employee compensation, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit. However when the legal reserve amounts to the authorized capital, this shall not apply. Aside from the above, the Company may set aside a special reserve in accordance with relevant laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders by issuing new shares.

If the Company made profit in the fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit. However, when the legal reserve amounts to the authorized capital, this shall not apply. Aside from the above, the Company may set aside or reverse the special reserve in accordance with relevant laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders by issuing new shares.

According to Article 240 Paragraph 5 of the Act, the Company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the surplus profit distributable as dividends and bonuses or as legal reserve or capital surplus in accordance with Article 241 Paragraph 1 of the Company Act in whole or in part distributed in the form of cash, and shall be reported to the Shareholders' Meeting.

The 2018 and 2017 earnings distribution were resolved in the Shareholders' Meeting in May 29, 2019 and 2018. The dividend payment amount are as follows:

	2018		2017	
	Amount per Share (NTD)	**Total Amount**	**Amount per Share (NTD)**	**Total Amount**
Dividends distributed to common shareholders:				
Cash	$ 27.00	1,150,422	10.00	426,082

(n). Earnings per share

Basic and diluted earnings per share were calculated as follows:

(i). Basic earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Net income attributable to common shareholders of the Company	$ 195,890	429,217	767,652	954,488
Weighted-average number of common shares	42,608	42,608	42,608	42,608
Basic earnings per share (in NT dollars)	$ 4.60	10.07	18.02	22.40

(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Net income attributable to common shareholders of the Company (diluted)	$ 195,890	429,217	767,652	954,488
Weighted-average number of common shares (basic)	42,608	42,608	42,608	42,608
Effect of potential:				
Employee's stock bonus	315	367	379	383
Weighted average number of shares outstanding (diluted)	42,923	42,975	42,987	42,991
Diluted earnings per share (in NT dollars)	$ 4.56	9.99	17.86	22.20

(Continued)

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Notes to the Consolidated Financial Statement

(o) Revenue from Contracts with Customers

1. Revenue

Consolidated revenue were as follows

	For the three months ended September 30, 2019			
		Taiwan	China	Total
Primary geographical markets:				
Taiwan	$	65,162	-	65,162
China		440,635	88,505	529,140
Others		48,671	-	48,671
	$	554,468	88,505	642,973
Primary merchandises/services:				
Sale of optical inspection machinery	$	533,508	72,639	606,147
equipment Revenue from services		20,960	15,866	36,826
	$	554,468	88,505	642,973

	For the three months ended September 30,2018			
		Taiwan	China	Total
Primary geographical markets:				
Taiwan	$	724,462	-	724,462
China		190,312	42,852	233,164
Others		7,622	-	7,622
	$	922,396	42,852	965,248
Main products/services:				
Sale of optical inspection machinery	$	914,536	37,699	952,235
equipment Revenue from services		7,860	5,153	13,013
	$	922,396	42,852	965,248

	For the nine months ended September 30,2019			
		Taiwan	China	Total
Primary geographical t markets:				
Taiwan	$	598,545	-	598,545
China		1,191,520	190,932	1,382,452
Others		112,628	-	112,628
	$	1,902,693	190,932	2,093,625
Main products/services:				
Sales of optical inspection machines and products	$	1,851,887	151,005	2,002,892
Provision of services		50,806	39,927	90,733
	$	1,902,693	190,932	2,093,625

	For the nine months ended September 30,2018			
		Taiwan	China	Total
Primary geographicalmarkets:				
Taiwan	$	1,355,177	-	1,355,177
China		672,025	129,186	801,211
Others		111,077	-	111,077
	$	2,138,279	129,186	2,267,465
Main products/services:				
Sales of optical inspection machines and products	$	2,109,328	103,380	2,212,708
Provision of services		28,951	25,806	54,757
	$	2,138,279	129,186	2,267,465

(Continued)

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Notes to the Consolidated Financial Statement

2. Contract Balance

	September 30, 2019	December 31, 2018	September 30, 2018
Contract liabilities	$ 23,945	82,716	56,647

Please refer to Note 6(b) for the details on accounts receivables and allowance for impairments.

The contract liability mainly comes from the receipt of advanced payments in sales contracts of optical inspection machine, which is included in the Group’s revenue upon product delivery. The balance of contract liabilities at January 1, 2019 and 2018 were recognized as revenue of $82,716 thousand and $18,166 thousand, respectively, for the nine months ended September 30, 2019 and 2018.

(p) Remuneration to employees, directors and supervisors

According to Articles of Incorporation, the accumulated loss shall have been deducted from the pre-tax profit of the current fiscal year, and for any remaining profit, no less than 5% shall be allocated for employee's compensation, whereas no more than 3% shall be allocated for remuneration of the directors and supervisors.

For the three months and the nine months ended September 30, 2019 and 2018, the estimated amounts of employees’ compensation were $24,244 thousand, $51,439 thousand, $101,457 thousand and $135,794 thousand respectively, the estimated amounts of remuneration for directors and supervisors were $4,612 thousand, $11,617 thousand, $20,078 thousand and $25,795 thousand respectively. The estimated amounts are calculated by multiplying the pre-tax profit before the distribution of employee’s compensations and remuneration for directors and supervisors with the ratio in accordance with the Corporation’s Articles of Incorporation, which are recognized as operating costs or operating expenses for the period. The Group will perform the accounting treatment if there is discrepancy between the actual distributed amount and the estimated figure for the next fiscal year, and the discrepancy will be recognized as next year’s profit/loss.

The Group’s employee compensation in 2018 and 2017 were $161,623 thousand and $57,820 thousand respectively, while the amount of remuneration for directors and supervisors were $32,037 thousand and $12,505 thousand respectively. There was no difference with the resolution of the board of directors. Relevant information is disclosed in the MOPs.

(q) Non-operating income and expenses

1. Other income

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Interest income	$ 412	1,646	4,936	4,755
Dividend income	1,326	-	1,326	-
Others	668	435	853	1,584
Total other income	$ 2,406	2,081	7,115	6,339

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Notes to the Consolidated Financial Statement

2. Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Gains on disposal of property, plant and equipment	$ 108	109	108	109
Gains on disposal of investments	-	-	-	906
Foreign exchange gains	(3,525)	(2,648)	9,001	22,606
Others	(290)	-	(295)	(364)
Net other gains and losses	$ (3,707)	(2,539)	8,814	23,257

3. Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Interest expenses	$ 679	-	1,182	-

(r) Financial Instruments

Except for the following, there is no significant change in the Carrying amount of the Group’s financial instruments and the exposure to credit and market risks due to financial instruments. Please refer to Note 6(r) of the 2018 Consolidated Financial Report.

(i). Credit risk

The Group’s balance of accounts receivable on September 30, 2019, December 31, 2018 and September 30, 2018 were concentrated on a single customer, which accounted for 12%, 15% and 37%, respectively, in the Group's net accounts and notes receivable (including long-term receivable).

(ii). Liquidity risk

The following indicates the contractual maturities of financial liabilities, including the estimated interest payment and excluding the impact of netting agreements.

	Carry Amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
September 30, 2019					
Non-derivative financial liabilities					
Notes payable	$ 798	798	798	-	-
Accounts payable	345,136	345,136	345,136	-	-
Other payables	55,074	55,074	55,074	-	-
Lease liabilities (including non-current)	113,321	137,713	15,423	37,836	84,454
	$ 514,329	538,721	416,431	37,836	84,454
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	-	-

(Continued)

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Notes to the Consolidated Financial Statement

	Face value	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
September 30, 2018					
Non-derivative financial liabilities					
Notes payable	$ 748	748	748	-	-
Accounts payable	287,346	287,346	287,346	-	-
Other payables	112,288	112,288	112,288	-	-
	$ 400,382	400,382	400,382	-	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii). Market risk

(1) Foreign currency risk

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

	Foreign currency	Exchange rate	NTD
September 30, 2019			
Financial Assets			
Monetary items			
USD	$ 38,553	31.0300	1,196,292
JPY	$ 4,532	0.2880	1,305
RMB	$ 59,698	4.3470	259,509
Financial liabilities			
Monetary items			
USD	$ 2,015	31.0300	62,534
RMB	$ 8,650	4.3470	37,602
December 31, 2018			
Financial Assets			
Monetary items			
USD	$ 27,942	30.7100	858,114
JPY	$ 87,286	0.2783	24,292
RMB	$ 49,529	4.4700	221,393
Financial liabilities			
Monetary items			
USD	$ 3,507	30.7100	107,694
RMB	$ 5,585	4.4700	24,965

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Notes to the Consolidated Financial Statement

		Foreign currency	Exchange rate	NTD
September 30, 2018				
Financial Assets				
Monetary items				
USD	$	27,546	30.5340	841,077
JPY	$	89,132	0.2693	24,003
RMB	$	35,350	4.4350	156,775
Financial liabilities				
Monetary items				
USD	$	3,829	30.5340	116,923
RMB	$	4,932	4.4350	21,872

The Group’s foreign exchange risk mainly comes from accounts such as cash and cash equivalents, receivable, and payables, which are denominated in foreign currencies, and will generate foreign exchange translation gains (losses). If NTD against the USD, JPY and RMB in September 30, 2019 and 2018 depreciated/appreciated by 3% while all other variables were held constant, net profit for September 30, 2019 and 2018 have increased/decreased by $32,567 thousand and $21,193 thousand respectively. The analysis in two periods was on the same basis.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and nine months ended September 30, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized abortions) amounted to $(3,525) thousand, $(2,648) thousand, $9,001 thousand and $22,606 thousand, respectively.

(2) Interest rate risk

The details of interest rate risk exposure were as follows

	Carry amount		
	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Assets with variable interest rate converted to cash:			
Bank deposits	$ 636,579	1,763,329	1,440,570

The sensitivity analysis below has been determined on the basis of the exposure to interest rates for both derivative and non-derivative instruments at balance sheet dates. for floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet dates was outstanding for the entire period. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had increased or decreased 1%, the Group’s net income before tax would have increased or decreased by $4,774 thousand and $10,804 thousand for the nine months ended September 30, 2019 and 2018 respectively with all variable factors remain constant.

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Notes to the Consolidated Financial Statement

(iv). Fair value and carrying amount

(1) Categories and fair value of financial instruments

The Group's fair value of financial assets and liabilities (including the fair value hierarchy. However, it is not necessary to disclose the fair value for the reasonable approximation of the carrying amount of financial instruments, as well as investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured) were as follows:

	September 30, 2019				
		Fair value			
	Carrying amounts	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 at amortized cost					
Cash and cash equivalents	638,013	-	-	-	-
Notes receivable, trade receivable and long-term receivable	1,577,180	-	-	-	-
Refundable deposits	12,353	-	-	-	-
Other non-current assets	5,941	-	-	-	-
Subtotal	2,233,487	-	-	-	-
Total	$ 2,243,131	-	-	9,644	9,644
Financial liabilities at amortized cost					
Notes payable	$ 798	-	-	-	-
Accounts payable	345,136	-	-	-	-
Other payables	55,074	-	-	-	-
Lease liabilities (including non-current)	113,321	-	-	-	-
Total	$ 514,329	-	-	-	-

(Continued)

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Notes to the Consolidated Financial Statement

	December 31, 2018				
		Fair value			
	Carrying amounts	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 at amortized cost					
Cash and cash equivalents	1,764,842	-	-	-	-
Notes receivable, trade receivable and long-term receivable	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 at amortized cost					
Notes payable	$ 1,358	-	-	-	-
Accounts payable	318,692	-	-	-	-
Other payables	105,122	-	-	-	-
Total	**$ 425,172**	**-**	**-**	**-**	**-**

	September 30, 2018				
		Fair value			
	Carrying amounts	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 at amortized cost					
Cash and cash equivalents	1,441,379	-	-	-	-
Notes receivable, trade receivable and long-term receivable	958,173	-	-	-	-
Refundable deposits	3,422	-	-	-	-
Other non-current assets	2,188	-	-	-	-
Subtotal	2,405,162	-	-	-	-
Total	**$ 2,414,806**	**-**	**-**	**9,644**	**9,644**
Financial liabilities at amortized cost					
Notes payable	$ 748	-	-	-	-
Accounts payable	287,346	-	-	-	-
Other payables	112,288	-	-	-	-
Total	**$ 400,382**	**-**	**-**	**-**	**-**

(Continued)

(2) Valuation techniques and assumptions used in fair value determination – 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 re taking place "regularly" is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market price 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.

(3) Fair value hierarchy

The Group uses observable market inputs for measuring its assets and liabilities as much as possible. The fair value levels are classified as follows according to the input values for the assessment:

(a). Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities

(b). Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c). Level 3: Inputs are unobservable inputs for an asset or liability.

No transfers between the Group's fair value levels.

(4) Reconciliation of leve3 fair values

	Unquoted equity instruments
Balance at September 30, 2019 (Same as January 1,2019)	$ 9,644
Balance at September 30, 2018 (Same as January 1,2018)	$ 9,644

(5) Quantitative information of significant unobservable inputs (Level 3) through fair value

Item	Valuation technique	Significant unobservable inputs	Relation between significant unobservable inputs and fair value
Financial assets at fair value through profit or loss – investment of equity instruments without active market	Guideline publicly traded company method	· P/B multiplier (September 30, 2019, December 31, 2018 and September 30, 2018 were 3.79, 3.79 and 3.33 respectively) ·P/E multiplier (September 30, 2019, December 31, 2018 and September 30, 2018 were 12.47, 12.47 and 24.98 respectively) ·Discount for Lack of Market ability (September 30, 2019, December 31, 2018 and September 30, 2018 were all 20%)	· Higher P/B multiplier and P/E multiplier will cause an increase in the fair value ·Higher discount for Lack of Market ability will cause a decrease in fair value.

(6) Fair value measurements in Level 3- sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. 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:

	Input	Assumptions	Other comprehensive income	
			Favorable	Unfavorable
September 30, 2019				
Financial assets at fair value through profit or loss				
Investment of equity instruments without active market	Market illiquidity discount rate	10%	1,368	(1,368)
December 31, 2018				
Financial assets at fair value through profit or loss				
Investment of equity instruments without active market	Market illiquidity discount rate	10%	1,368	(1,368)
September 30, 2018				
Financial assets at fair value through profit or loss				
Investment of equity instruments without active market	Market illiquidity discount rate	10%	1,206	(1,206)

The favorable and unfavorable effects represent the change in fair value, and the fair value is based on a variety of un-observable inputs calculated using a valuation technique.

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(s) Financial risk management

There was no significant change in the Group's objectives and policies on financial risk management and the information disclosed in Note 6(s) of the 2018 Consolidated Financial Report.

(t) Capital management

The Group's objectives, policies and procedures of capital management were equivalent to that of the 2018 Consolidated Financial Report, and there was no significant change between the quantitative information on items of capital management and that of the 2018 Consolidated Financial Report. Please refer to Note 6(t) of the 2018 Consolidated Financial Statements for related information.

(u) Reconciliation of liabilities arising from financing activities

The Group's liability adjustment associated with financing activities for the nine months ended September 30, 2019 were as follows:

			Non-cash adjustments				
	January 1, 2019	**Cash flows**	**Increase in right-of-use assets**	**Modifications**	**Foreign exchange movement**	**Interest expenses**	**September 30, 2019**
Lease liabilities	$ 71,348	(7,416)	54,080	(5,532)	(341)	1,182	113,321
Total liabilities from financing activities	**$ 71,348**	**(7,416)**	**54,080**	**(5,532)**	**(341)**	**1,182**	**113,321**

7. Related-party Transactions

Compensation of key management personnel:

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Short-term employee benefits	$ 34,261	26,691	69,383	45,738
Post-employment benefits	81	57	195	171
	$ 34,342	**26,748**	**69,578**	**45,909**

8. Pledge assets

The carrying value of assets pledged as collaterals were as follows:

Pledged assets	**Object asset**	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**
Other non-current assets:				
Time deposits	Guarantee for customs	$ 1,508	506	505
Time deposits	Guarantee for the Hsinchu Science Park Bureau	4,433	1,683	1,683
		$ 5,941	**2,189**	**2,188**

9. Commitments and contingencies: None

10. Losses due to major disasters: None.

11. Subsequent events: None

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Notes to the Consolidated Financial Statement

12. Others

(I) Employee benefits expense, depreciation, depletion and amortization expense categorized by function were as follows:

By function / By nature	Three months ended September 30, 2019			Three months ended September 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	28,939	99,819	128,758	32,402	91,819	124,221
Labor and health insurance	2,667	3,562	6,229	1,928	2,491	4,419
Pension	1,538	1,856	3,394	1,013	1,445	2,458
Remuneration of directors	-	4,630	4,630	-	7,719	7,719
Other employee benefits	3,075	7,017	10,092	3,926	4,966	8,892
Depreciation	3,070	4,345	7,415	1,935	1,373	3,308
Amortization	-	28		-	28	28

By function / By nature	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	86,204	261,965	348,169	66,225	253,173	319,398
Labor and health insurance	7,527	9,312	16,839	5,364	7,007	12,371
Pension	4,223	5,016	9,239	2,844	4,437	7,281
Remuneration of directors	-	20,706	20,706	-	17,283	17,283
Other employee benefits	12,368	19,671	32,039	11,543	15,925	27,468
Depreciation	6,351	9,335	15,686	5,878	4,139	10,017
Amortization	-			-	236	236

(II) Operating and seasonality:

The Group’s business operations are not affected by seasonal or cyclical factors.

13. Other Disclosure

(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 for the nine months ended September 30, 2019:

(i) Loans extended to other parties: None.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held at the end of the period (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
				Name 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%	9,644		

(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 transaction for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Remark
			Purchase / Sales	Amount	Percentage of the purchases (sales) (%)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of notes/accounts receivable (payable)	
The Company	Machvision (Dongguan) Inc.	Subsidiaries	(Sales)	101,080	(5%)	Dependent on capital budgeting	Not significantly differences	Dependent on capital budgeting	265,558	16%	Note 1

Note 1: All intercompany accounts and transactions are eliminated.

(viii) Receivable from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital:

Company Name	Related Party	Relationship	Ending Balance	Turnover rate	Overdue amount		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Machvision (Dongguan) Inc.	Subsidiaries	265,558	0.34	114,964	Base on financial planning	17,440 (As of October 30, 2019)	-

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No.	Name of counterparty	Existing relationship with the counter-party	Transaction details			
			Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	Machvision (Dongguan) Inc.	1	Operating revenue	101,080	Not significantly differences	4.83%
0	Sigold Optics. Inc.	1	Operating revenue	33,600	Not significantly differences	1.60%
0	Sigold Optics. Inc.	1	Operating cost	27,706	Not significantly differences	1.32%
0	Machvision (Dongguan) Inc.	1	Accounts receivable – related parties (including long-term accounts receivable)	265,558	Dependent on capital budgeting	8.94%
0	Sigold Optics. Inc.	1	Accounts receivable – related parties (including long-term accounts receivable)	39,556	Not significantly differences	1.33%
0	Machvision (Dongguan) Inc.	1	Other payables – related parties	51,086	Dependent on capital budgeting	1.72%
0	Sigold Optics. Inc.	1	Trade payables – related parties	39,175	Not significantly differences	1.32%

Note 1: Company numbering is as follows:

1. Parent company is 0.

2.Subsidiary starts from 1.

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Note 2: The number of the relationship with the transaction counterparty represents the following:

1. 1 represents downstream transactions.
2. 2 represents upstream transaction.

Note 3: For balance sheet items, over 1% of total consolidated assets, and for profit or loss items, over 1% total consolidated revenue were selected for disclosure.

(b) Information On Investees:

Information on investees from January 1, 2019 to September 30, 2019 were as follows (excluding the investees in China):

Name of Investor	Name of investee	Address	Scope of business	Original Cost		Ending balance			Net Income of Investee	Investment income (Losses) (Note 3)	Note
				End of the period	End of last year	Shares	Percentage of ownership	Book value			
The Corporation	Machvision Inc.	Samoa	General investments	62,422	50,114	2,003,440	100.00%	(8,992)	(48,632)	(48,632)	Note 1 and note 2
The Corporation	Machvision Holding (Samoa) Limited	Samoa	General investments	22,992	-	1,600,000	100.00%	21,924	(255)	(255)	Note 2
The Corporation	Autovision Technology Inc.	Taiwan	Computers and Computing Peripheral Equipment Manufacturing	9,000	2,250	900,000	45.00%	10,248	1,570	707	Note 2
The Corporation	Sigold Optics. Inc.	Taiwan	Optical inspection machine manufacturing	49,470	49,470	4,947,000	49.47%	68,995	25,143	12,438	Note 2
The Corporation	Machvision Korea Co., Ltd.	Korea	Equipment maintenance and wholesale	21,542	-	10,000	100.00%	15,638	(5,006)	(5,006)	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 profit or loss accounted for using the equity method was calculated based on financial reports of the invested company that were not audited or reviewed by a certified public accountant.

(c) Information on investments in Mainland China

1. The names of investees in Mainland China, the main businesses and products, and other information:

Units: NT$ thousand

Name of investment in Mainland China	Major operations	Issued capital	Method of Investment (Note 1)	Beginning remittance balance – cumulative investment (amount) from Taiwan	Current remittance / receivable investment (amount)		Ending remittance balance - cumulative investment (amount) from Taiwan	Net income of investee	Direct / indirect shareholdings or investments (%) in the Company	Current investment gains and losses (Note 3)	Book value (Note 2)	Remittance of investment income in current period
					Invested amount	Returned amount						
Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	62,350	(II)1.	50,042	12,308	-	62,350	(48,631)	100%	(48,631)	(5,171)	-
Guangdong GreatSense Intelligent Equipment Co., Ltd	Maintaining and trading of machinery equipment	45,155	(II)2.	-	22,992	-	22,992	(501)	51%	(255)	21,924	-

Note 1: The method of investment is divided into the following four categories:

(I) Remittance from thirdregion companies to invest in Mainland China.

(II) Through the establishment of thirdregion companies then investing in Mainland China.

1. Investments in China through Machvision (Samoa) Inc.
2. Investments in China through Machvision Holding (Samoa) Ltd.

(III) Through transferring the investment to thirdregion existing companies then investing in Mainland China.

(IV) Other methods: EX: delegated investments..

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.

(2) Limitation on investment in Mainland China:

Company Name	Accumulated investment amount in Mainland China as of End of the Period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	85,342	110,642	1,095,878 (Note)

Note: It represents 60% of the Company's net equity.

3. Significant transactions:

Please refer to details in the "Relationships between Parent Company and Subsidiaries and Significant Transactions" for the significant transactions directly or indirectly related to the investment in China for the nine months ended September 30, 2019.

14. Segment Information

The Corporation's business operations are focused in a single industry, mainly in the manufacturing, sales and testing of optical inspection machines and equipment. The end use of the Corporation's products are similar. The operational decision makers evaluate the Corporation's overall performance and allocate resources for the Corporation's overall business operations. Hence, there is only one reportable segment for the Corporation.

The Group's reportable segments and adjustments were as follows:

		Taiwan	China	Adjustment and Elimination	Total
For the three months ended September30 2019					
Revenue:					
Revenue from external customers	$	551,331	91,642	-	642,973
Inter-segment revenue		62,397	4,361	(66,758)	-
Total revenue	**$**	**613,728**	**96,003**	**(66,758)**	**642,973**
Reportable segment revenue or loss	**$**	**259,656**	**(16,664)**	**-**	**242,992**
For the three months ended September30 2018					
Revenue:					
Revenue from external customers	$	922,396	42,852	-	965,248
Inter-segment revenue or loss		52,004	-	(52,004)	-
Total revenue	**$**	**974,400**	**42,852**	**(52,004)**	**965,248**
Reportable segment revenue or loss	**$**	**540,192**	**(11,921)**	**-**	**528,271**
For the nine months ended September30 2019					
Revenue:					
Revenue from external customers	$	1,902,693	190,932	-	2,093,625
Inter-segment revenue		169,705	7,498	(177,203)	-
Total revenue	**$**	**2,072,398**	**198,430**	**(177,203)**	**2,093,625**
Reportable segment revenue or loss	**$**	**1,001,250**	**(47,660)**	**-**	**953,590**
For the nine months ended September30 2018					
Revenue:					
Revenue from external customers	$	2,138,279	129,186	-	2,267,465
Inter-segment revenue		121,464	-	(121,464)	-
Total revenue	**$**	**2,259,743**	**129,186**	**(121,464)**	**2,267,465**
Reportable segment revenue or loss	**$**	**1,166,829**	**(25,651)**	**-**	**1,141,178**

For the three months and nine months ended September 30, 2019 and 2018, the total revenue of the reportable segment should exclude the inter-segment revenue of $66,758 thousand, $52,004 thousand, $177,203 thousand and $121,464 thousand, respectively.

(Continued)