

Stock Code:3563

**MACHVISION INC. CO., LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2020 and 2019**

**Address: No. 2-3, Gongye East 2nd Road, Hsinchu Science Park,  
Hsinchu 30075, Taiwan, R.O.C**

**Telephone: (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

To 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 March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and 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, R.O.C.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, the review is conducted in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards 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. Therefore, we do not express an audit opinion.

### Basis for Qualified Conclusion

As mentioned in note 4 (b) of the consolidated financial report, the inclusion of non-significant subsidiaries of the consolidated financial reports is based on the financial reports that the invested companies have asked in the same period without the approval of the accountants for the capital of March 31, 2020 and 2019; the total amount of assets was \$679,382 thousand and 414,342 thousand respectively, accounting for 20% and 11% of the total consolidated assets respectively; the total liabilities were \$92,147 thousand and \$ 78,247 thousand respectively, accounting for 6% and 3% of the total consolidated liabilities respectively; the consolidated profits and losses between January 1 to March 31, 2020 and 2019 were \$(5,816) thousand and \$(7,300) thousand respectively, accounting for (3)% of the consolidated profit and loss.

### 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, based on our review report, 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. Co., Ltd. and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in line with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting", as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

CPAs: Po-Shu Huang and Ann-Tien Yu

Securities Competent Authority: Tai-Chai-Jeng-Liu-Zi No. 0920122026

Approved Verification No.: (88) Tai-Chai-Jeng-(Liu)-Zi No. 18311

Date: May 4, 2020

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 30, 2020 and 2019  
**MACHVISION INC. CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2020 December 31, 2019 and March 31, 2019**

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2020		December 31, 2019		March 31, 2019				March 31, 2020	December 31, 2019		March 31, 2019						
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%				
Current assets:								Current liabilities:											
1100	Cash and cash equivalents (note 6(a))	\$ 1,058,295	31	741,899	24	1,816,989	47	2130	Current contract liabilities (note 6(p))	\$ 33,167	1	13,594	-	32,241	1				
1151	Notes receivable (note 6(b) and (p))	19,168	1	13,709	-	10,828	-	2150	Notes payable	724	-	993	-	584	-				
1170	Accounts receivable, net (note 6(b) and (p))	1,284,647	37	1,181,836	39	1,243,298	33	2170	Accounts payable	302,345	9	381,467	13	333,914	9				
1200	Other receivables (note 6(d))	28,096	1	-	-	-	-	2209	Other payables (note 6(q))	416,441	12	420,100	14	456,005	12				
130x	Inventories (note 6(c))	365,169	11	381,669	13	279,644	7	2216	Dividend payable (note 6(n))	447,282	13	-	-	1,150,422	30				
1410	Prepayments	22,183	1	23,064	1	8,590	-	2230	Current tax liabilities	88,508	3	33,141	1	335,295	9				
1479	Other current assets	11,183	-	13,039	-	17,267	1	2250	Provisions – current (note 6(j))	13,436	1	12,125	-	46,887	1				
	Total current assets	2,788,741	82	2,355,216	77	3,376,616	88	2280	Lease Liabilities – current (note 6(i))	11,667	-	14,875	-	6,654	-				
Non-current assets:								2313	Deferred revenue (note 6(k))	940	-	-	-	-	-				
1510	Financial assets at fair value through profit or loss—non current (note 6(e))	9,644	-	9,644	-	9,644	-	2399	Other current liabilities	12,190	-	19,014	1	10,872	-				
1600	Property, plant and equipment (note 6(f))	264,403	8	267,915	9	247,271	7		Total current liabilities	1,326,700	39	895,309	29	2,372,874	62				
1755	Right-of-use assets (note 6(g))	100,568	3	108,945	4	69,819	2	Non-Current liabilities:											
1780	Intangible assets	8,870	-	8,898	-	275	-	2540	Long-term borrowings (note 6(k))	195,986	6	-	-	-	-				
1840	Deferred income tax assets	37,460	1	37,460	1	25,686	1	2570	Deferred income tax liabilities	-	-	-	-	780	-				
1920	Refundable deposits	14,576	-	17,807	1	8,141	-	2630	Long-term deferred revenue (note 6(k))	3,074	-	-	-	-	-				
1932	Long-term receivables (note 6(b) and (p))	192,951	6	230,705	8	91,938	2	2640	Net defined benefit liabilities – Non-current	10,429	-	10,429	-	9,497	-				
1995	Other non-current assets (note (h))	7,402	-	7,401	-	2,767	-	2580	Lease liabilities – Non-current (note 6(i))	90,307	3	95,435	3	63,274	2				
	Total non-current assets	635,874	18	688,775	23	455,541	12		Total non-current liabilities	299,796	9	105,864	3	73,551	2				
									Total liabilities	1,626,496	48	1,001,173	32	2,446,425	64				
								Equity attributable to shareholders of the Company (note 6(n) and 12):											
								3100	Share capital	426,082	12	426,082	14	426,082	11				
									Capital surplus:										
								3211	Capital surplus - additional paid-in capital arising from ordinary share	59,485	2	59,485	2	59,485	1				
								3235	Capital surplus - Number of changes in recognition of ownership rights and interests of subsidiaries	4	-	4	-	4	-				
								3280	Capital surplus, Others	23	-	23	-	23	-				
										59,512	2	59,512	2	59,512	1				
									Retained earnings:										
								3310	Legal reserve	309,915	9	309,915	10	309,915	8				
								3320	Special reserve	2,957	-	2,957	-	2,957	-				
								3350	Unappropriated retained earnings	894,470	26	1,115,977	38	525,640	14				
										1,207,342	35	1,428,849	48	838,512	22				
									Other equity interest:										
								3410	Exchange differences on translation of foreign financial statements	(5,286)	-	(4,543)	-	(2,259)	-				
									Equity attributable to the parent Company	1,687,650	49	1,909,900	64	1,321,847	34				
								36xx	Non-controlling interests	110,469	3	132,918	4	63,885	2				
									Total Equity	1,798,119	52	2,042,818	68	1,385,732	36				
									Total liabilities and equity	\$ 3,424,615	100	3,043,991	100	3,832,157	100				
Total assets		\$ 3,424,615	100	3,043,991	100	3,832,157	100	Chairman: Wang Guang Shiah								Manager: Chen Fu Sheng			
																Accounting Officer: Wen Pei Chun			

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards

**MACHVISION INC. CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2020 and 2019**

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

		<b>For the three months ended March 31</b>			
		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (notes 6(p))</b>	\$ 686,231	100	670,772	100
5000	<b>Operating costs (notes 6(c), (f), (g), (i), (j), (l), (q) and 7)</b>	241,506	35	215,337	32
5900	<b>Gross profit from operations</b>	444,725	65	455,435	68
6000	<b>Operating expenses (notes 6(b), (f), (g), (i), (l), (q) and 7):</b>				
6100	Selling expenses	75,927	11	53,020	8
6200	Administrative expenses	29,473	4	30,214	5
6300	Research and development expenses	47,701	7	47,633	7
6450	Expected credit impairment loss	13,766	2	7,785	1
	<b>Total operating expenses</b>	166,867	24	138,652	21
	<b>Net operating income</b>	277,858	41	316,783	47
7000	<b>Non-operating income and expenses (note 6(d), (i) and (r)):</b>				
7010	Other income	1,077	-	2,387	1
7020	Other gains and losses	4,755	-	9,052	1
7050	Financial costs	(348)	-	(242)	-
	<b>Total non-operating income and expenses</b>	5,484	-	11,197	2
	<b>Pre-tax net profit of continued operations</b>	283,342	41	327,980	49
7950	<b>Less: Income tax expenses (note 6(m))</b>	55,672	8	63,875	10
	<b>Profit for the period</b>	227,670	33	264,105	39
8300	<b>Other comprehensive income:</b>				
8360	<b>Items that may be subsequently reclassified into profit or loss</b>				
8361	Exchange Differences on Translation of Foreign Financial Statements	(739)	-	698	-
8399	Less: Income tax related to items that may be reclassified	-	-	-	-
	<b>Total of items that may be subsequently reclassified into profit or loss</b>	(739)	-	698	-
8300	<b>Other comprehensive income for the period, net of tax</b>	(739)	-	698	-
	<b>Total comprehensive income for the period</b>	<b>\$ 226,931</b>	<b>33</b>	<b>264,803</b>	<b>39</b>
	<b>Profit attributable to:</b>				
	Owners of the parent company	\$ 225,775	33	261,399	39
8620	Non-controlling interests	1,895	-	2,706	-
		<b>\$ 227,670</b>	<b>33</b>	<b>264,105</b>	<b>39</b>
	<b>Comprehensive income attributable to:</b>				
	Owners of the parent company	\$ 225,032	33	262,097	39
	Non-controlling interests	1,899	-	2,706	-
		<b>\$ 226,931</b>	<b>33</b>	<b>264,803</b>	<b>39</b>
9750	<b>Earnings per share(note 6(o)):</b>				
9710	Basic earnings per share (Unit: New Taiwan dollars)	<b>\$ 5.30</b>		<b>6.13</b>	
9810	Diluted earnings per share (Unit: New Taiwan dollars)	<b>\$ 5.27</b>		<b>6.10</b>	

Chairman: Wang Guang Shiah

Manager: Chen Fu Sheng

Accounting Officer: Wen Pei Chun

See accompanying notes to consolidated financial statements.

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**MACHVISION INC. CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the three months ended March 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Total other equity interest			
			Retained earnings				Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Inappropriate earnings	Total				
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 earnings:							-			
Legal reserve appropriated	-	-	129,641	-	(129,641)	-	-	-	-	-
Special reserve appropriated	-	-	-	450	(450)	-	-	-	-	-
Cash dividends of Common Stock	-	-	-	-	(1,150,422)	(1,150,422)	-	(1,150,422)	-	(1,150,422)
Other changes in capital surplus	-	20	-	-	-	-	-	20	-	20
Profit for the period	-	-	-	-	261,399	261,399	-	261,399	2,706	264,105
Other comprehensive income for the period	-	-	-	-	-	-	698	698	-	698
Total comprehensive income for the period	-	-	-	-	261,399	261,399	698	262,097	2,706	264,803
Balance at March 31, 2019	\$ 426,082	59,512	309,915	2,957	525,640	838,512	(2,259)	1,321,847	63,885	1,385,732
Balance at January 1, 2020	\$ 426,082	59,512	309,915	2,957	1,115,977	1,428,849	(4,543)	1,909,900	132,918	2,042,818
Appropriation and distribution of retained earnings:										
Cash dividends of Common Stock	-	-	-	-	(447,282)	(447,282)	-	(447,282)	-	(447,282)
Profit for the period	-	-	-	-	225,775	225,775	-	225,775	1,895	227,670
Other comprehensive income for the period	-	-	-	-	-	-	(743)	(743)	4	(739)
Total comprehensive income for the period	-	-	-	-	225,775	225,775	(743)	225,032	1,899	226,931
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(29,521)	(29,521)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	5,173	5,173
Balance at March 31, 2020	\$ 426,082	59,512	309,915	2,957	894,470	1,207,342	(5,286)	1,687,650	110,469	1,798,119

Chairman: Wang Guang Shiah

Manager: Chen Fu Sheng

Accounting Officer: Wen Pei Chun

See accompanying notes to consolidated financial statements.

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**MACHVISION INC. CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 283,342	327,980
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	8,122	3,916
Amortization expense	28	28
Expected credit impairment loss	13,766	7,785
Interest expense	348	242
Interest income	(823)	(2,298)
Loss on disposal of property, plant and equipment	1	-
Loss on investment	2,280	-
Total adjustments to reconcile profit	23,722	9,673
Changes in operating assets and liabilities		
Changes in operating assets, net		
Notes receivable	(5,459)	7,551
Accounts receivable	(178,540)	(174,886)
Inventories	8,553	(45,643)
Prepayments	(2,937)	195
Other current assets	500	(10,043)
Long-term accounts receivable	37,929	(10,882)
Total changes in operating assets, net	(139,954)	(233,708)
Changes in operating liabilities, net		
Contract liabilities	30,781	(50,475)
Notes payable	(269)	(774)
Accounts payable	(59,530)	15,222
Other payables	(2,019)	(1,101)
Provisions liabilities	1,311	1,534
Other current liabilities	(2,142)	(2,626)
Total changes in operating liabilities, net	(31,868)	(38,220)
Total changes in operating assets and liabilities, net	(171,822)	(271,928)
Total adjustments	(148,100)	(262,255)
Cash inflows generated from operations	135,242	65,725
Interest received	667	2,147
Income taxes	(305)	(296)
Net cash flow from operating activities	135,604	67,576
<b>Cash flow used in investing activities</b>		
Disposal of subsidiaries	(19,157)	-
Acquisition of property, plant and equipment	(3,775)	(11,068)
Decrease (increase) in guarantee deposits paid	2,060	(2,856)
Increase in other non-current assets	(1)	-
Net cash (outflow) used in investing activities	(20,873)	(13,924)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	200,000	-
Payment of lease liabilities	(1,405)	(1,662)
Interest paid	(2,006)	-
Changes in non controlling interests	5,173	-
Surplus not paid due to overdue	-	20
Net cash (outflow) used in financing activities	201,762	(1,642)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(97)	137
<b>Increase in cash and cash equivalents for the period</b>	316,396	52,147
<b>Cash and cash equivalents, beginning of year</b>	741,899	1,764,842
<b>Cash and cash equivalents, end of year</b>	\$ 1,058,295	1,816,989

Chairman: Wang Guang Shiah

Manager: Chen Fu Sheng

Accounting Officer: Wen Pei Chun

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards

## **MACHVISION INC. CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

**For the three months ended March 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

#### **(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 March 31, 2020 include the Company and its subsidiaries (the Group). The Group is 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 May 4, 2020.

#### **(3) New standards, amendments and interpretations adopted:**

(A) The impact of the newly issued and revised standards and interpretations approved by Financial Supervisory Commission

Since 2020, the Group has fully adopted the International Financial Reporting Standards ("IFRSs") approved by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as the "FSC") and coming into force in 2020 to prepare consolidated financial reports. The differences between this version and the previous version are summarized as follows:

<b>New/Revised/Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The application of the newly recognized International Financial Reporting Standards mentioned above will not result in significant changes to the consolidated financial reporting.



(B) New release and amendment criteria and explanations not yet endorsed by the FSC

The following table shows the criteria and explanations issued and amended by the International Accounting Standards Board (IASB) which have not yet been endorsed by the FSC.

New/Revised/Amended Standards and Interpretations	Effective date of issuance by the IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group is continuously evaluating the impact of the above criteria and explanations on the effects of the Group's financial condition and operating results to be disclosed upon completion of the assessment.

#### (4) Summary of significant accounting policies

Except as described below, the summary statement of the significant accounting policies for this consolidated financial report is the same as the consolidated financial report for 2019, please refer to the related information 2019 Consolidated Financial Statements Note 4.

##### (a) Statement of compliance

This consolidated financial report is prepared in line with the guidelines for the preparation of financial reports of issuers of securities (hereinafter referred to as "The Preparation of Guidelines") and the International Accounting Standards 34, about "Interim Financial Reports", which are approved and issued in force by the FSC. This consolidated financial report does not include all the necessary information to be disclosed in the entire annual consolidated financial report prepared in accordance with the international Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation notices (hereinafter referred to as the "International Financial Reporting Standards approved by the FSC"), which are approved and issued in force by the FSC.

##### (b) 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

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Subsidiary	Nature of business	Percentage of ownership			Notes
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Machvision Inc. (Samoa)	Investment	100.00%	100.00%	100.00%	
The Company	Autovision Technology Inc.	Manufacturing of computer peripheral products	45.00%	45.00%	45.00%	1
The Company	Sigold Optics Inc.	Manufacturing of machinery equipment	49.47%	49.47%	49.47%	2
The Company	ChipAI Co., LTD.	Manufacturing of computer peripheral products	90.00%	90.00%	-	
The Company	RedPay Co., Ltd.	Manufacturing of computer peripheral products	50.00%	50.00%	-	
The Company	MiM Tech. Inc.	Manufacturing of computer peripheral products	40.98%	40.98%	-	3
The Company	Machvision Korea Co., Ltd.	Maintaining and trading of machinery equipment	100.00%	100.00%	100.00%	
The Company	Machvision Holding (Samoa) Limited	Investment	100.00%	100.00%	-	
Machvision Inc. (Samoa)	Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	100.00%	100.00%	100.00%	
Machvision Holding (Samoa) Limited	Guandong Greatsense Intelligent Equipment Co., Ltd.	Maintaining and trading of machinery equipment	-	51.00%	-	4
Machvision (Dongguan) Inc.	Dongguan muxin intelligent equipment Co., Ltd	Maintaining and trading of machinery equipment	51.00%	-	-	
Sigold Optics Inc.	SISSCA Co.,Ltd.	Manufacturing of computer peripheral products	70.00%	-	-	

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

Note 3: The Company holds 40.98% 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 4: Equity movement which the Company owned, please see note 6(d).

Note 5: The subsidiaries are not significant subsidiaries, their financial statements have not been reviewed.

### (c) Government grants

The Company will reasonably assure that additional condition from government grants be in compliance with. After receiving the grants, it will be recognized as deferred revenues, which will be recognized as other gains at systematic basis. Grants to compensate the expenses or losses from the Company will be recognize as gains/losses at systematic basis in the same period.

## (d) Employee benefits

In the interim, the benefit scheme pension department uses the previous year's reporting date to determine the pension cost rate on an actuarial basis, based on the end of the reclassified period at the beginning of the year, and to adjust for major market fluctuations, major downsizing, liquidation or other major one-off matters.

## (e) Income tax

The Group is measured and exposed for income tax expenses during the interim period in line with the paragraph B12 of interim financial report of the International Accounting Standards bulletin No. 34.

The income tax fee is in order to multiply the pre-tax net profit by the management during the reporting period by the best estimated street volume of the expected effective tax rate for the whole year, and is fully recognized as the current income tax fee.

The income tax fee, which is directly recognized as an equity item or other consolidated profit and loss item, is a temporary difference between the carrying amount of the relevant assets and liabilities for the purpose of reporting and its tax base, which is measured by the applicable tax rate at the time of expected realization or liquidation.

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

Management shall, in accordance with the preparation criteria and the interim financial report of IAS34 as approved by the FSC, make judgments, estimates and assumptions in the preparation of the consolidated financial reports, which will have an impact on the adoption of accounting policies and the amount of assets, liabilities, benefits and expenses reported. Actual results may differ from estimates.

In the preparation of consolidated financial reports, the management adopts the uncertainty of significant judgment and estimation of the consolidation of corporate accounting policies, the main source of which is consistent with the consolidated Financial Report Note 5 of 2019.

**(6) Explanation of significant accounts**

## (a) Cash and cash equivalents

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Cash on hand	\$ 1,636	2,038	1,326
Saving deposits	581,690	239,065	520,231
Foreign currency deposits	348,259	254,841	114,982
Time deposits	126,710	245,955	1,180,450
Cash and cash equivalents per statements of cash flow	<b><u>\$ 1,058,295</u></b>	<b><u>741,899</u></b>	<b><u>1,816,989</u></b>

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(s) 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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Notes receivable	\$ 19,168	13,709	10,828
Accounts receivable	1,305,833	1,189,257	1,263,606
Long-term accounts receivable	193,263	231,192	92,868
Less: allowance for impairment	21,186	7,421	20,308
unrealized interest income	312	487	930
	<b><u>\$ 1,496,766</u></b>	<b><u>1,426,250</u></b>	<b><u>1,346,064</u></b>

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. 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, including macroeconomic and relevant industry information. The expected credit losses were determined as follows:

	<b>March 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,239,483	0.00%	-
1 to 90 days past due	127,766	0.3332%	426
91 to 180 days past due	63,520	1.7633%	1,120
181 to 270 days past due	60,557	5.3690%	3,251
271 to 365 days past due	23,758	56.9119%	13,521
Past due over 365 days	2,868	100.000%	2,868
	<b><u>\$ 1,517,952</u></b>		<b><u>21,186</u></b>

(Continued)

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,160,510	0.00%	-
1 to 90 days past due	119,276	0.3249%	387
91 to 180 days past due	106,873	1.7512%	1,872
181 to 270 days past due	42,964	5.2266%	2,246
271 to 365 days past due	2,716	58.3392%	1,584
Past due over 365 days	1,332	100.000%	1,332
	<b>\$ 1,433,671</b>		<b>7,421</b>

	<b>March 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 914,112	0.00%	-
1 to 90 days past due	253,649	0.08%	203
91 to 180 days past due	148,535	1.033%	1,534
181 to 270 days past due	31,616	3.533%	1,117
271 to 365 days past due	3,001	66.478%	1,995
Past due over 365 days	15,459	100.000%	15,459
	<b>\$ 1,366,372</b>		<b>20,308</b>

(Concluded)

The movement in the allowance for accounts receivable was as follows:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 7,421	12,520
Impairment losses recognized	13,766	7,785
Foreign exchange (losses) / gains	(1)	3
Balance at March 31	<b>\$ 21,186</b>	<b>20,308</b>

The aforementioned notes and accounts receivables of the Group had not been pledged as collateral.

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:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Merchandise and finished goods	\$ 86,582	106,004	32,357
Work in process	85,187	82,107	91,664
Raw material	193,400	193,558	155,623
	<u><b>\$ 365,169</b></u>	<u><b>381,669</b></u>	<u><b>279,644</b></u>

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:

	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Losses on decline in market value and write-down of inventory	<u><b>\$ 4,799</b></u>	<u><b>3,757</b></u>

(d) Disposal of subsidiaries

The Board of Directors of the Company had decided to dispose the 51% equity of Guandong Greatsense Intelligent Equipment Co., Ltd. held by its subsidiary Machvision Holding (Samoa) Limited at CNY 6,600 thousand on December 25, 2019. The share transfer was completed on January 7, 2020. The receivables from the transaction were \$28,096 thousand (other receivables). The investment loss was \$2,280 thousand (other Gains and losses).

The carrying amount of assets and liabilities of Guandong Greatsense Intelligent Equipment Co., Ltd. on the disposal date is as follows:

Cash and cash equivalents	\$ 19,157
Accounts receivable	61,963
Inventories	7,947
Prepayments and Other current assets	5,155
Property, plant and equipment	2,066
The Right-of-use assets	6,140
Refundable deposits	1,171
Contract liabilities	(11,208)
Accounts payable	(19,592)
Other payables	(1,640)
Lease liabilities (including non-current)	(6,230)
Other current liabilities	<u>(4,682)</u>
Carrying amount of net assets	<u><b>\$ 60,247</b></u>

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Mandatorily measured at fair value through profit or loss:			
Unlisted stocks (domestic) - Yayatech Co., Ltd.	<b>\$ 9,644</b>	<b>\$ 9,644</b>	<b>\$ 9,644</b>

## (f) Property, plant and equipment

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

	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Other equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Cost:					
Balance as of January 1, 2020	\$ 266,183	4,250	19,364	27,995	317,792
Disposal of subsidiaries	-	-	(2,488)	-	(2,488)
Additions	1,729	16	895	1,135	3,775
Reclassification	12,774	-	-	(12,774)	-
Disposals	-	(420)	(10)	-	(430)
Effect of movement in exchange rates	(427)	-	(41)	-	(468)
Balance as of March 31, 2020	<b>\$ 280,259</b>	<b>3,846</b>	<b>17,720</b>	<b>16,356</b>	<b>318,181</b>
Balance as of January 1, 2019	\$ 235,761	4,357	11,378	27,874	279,370
Additions	-	114	2,067	8,887	11,068
Reclassification	-	-	357	(935)	(578)
Disposals	-	(557)	(786)	-	(1,343)
Effect of movement in exchange rates	791	-	49	-	840
Balance as of March 31, 2019	<b>\$ 236,552</b>	<b>3,914</b>	<b>13,065</b>	<b>35,826</b>	<b>289,357</b>
Depreciation and impairment losses:					
Balance as of January 31, 2020	\$ 42,653	1,318	5,906	-	49,877
Disposal of subsidiaries	-	-	(422)	-	(422)
Depreciation	3,924	183	819	-	4,926
Disposals	-	(420)	(9)	-	(429)
Effect of movement in exchange rates	(160)	-	(14)	-	(174)
Balance as of March 31, 2020	<b>\$ 46,417</b>	<b>1,081</b>	<b>6,280</b>	<b>-</b>	<b>53,778</b>

(Continued)

	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Other equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Balance as of January 1, 2019	\$ 34,022	1,162	5,579	-	40,763
Depreciation	1,630	223	534	-	2,387
Disposals	-	(557)	(786)	-	(1,343)
Effect of movement in exchange rates	265	-	14	-	279
Balance as of March 31, 2019	<b>\$ 35,917</b>	<b>828</b>	<b>5,341</b>	<b>-</b>	<b>42,086</b>
Carrying amounts:					
January 1, 2020	<b>\$ 223,530</b>	<b>2,932</b>	<b>13,458</b>	<b>27,995</b>	<b>267,915</b>
March 31, 2020	<b>\$ 233,842</b>	<b>2,765</b>	<b>11,440</b>	<b>16,356</b>	<b>264,403</b>
January 1, 2019	<b>\$ 201,739</b>	<b>3,195</b>	<b>5,799</b>	<b>27,874</b>	<b>238,607</b>
March 31, 2019	<b>\$ 200,635</b>	<b>3,086</b>	<b>7,724</b>	<b>35,826</b>	<b>247,271</b>

(Concluded)

## (g) The Right-of-use assets

	<b>Land, Buildings and constructions</b>	<b>Other equipment</b>	<b>Total</b>
Cost of the Right-of-use assets:			
Balance as of January 1, 2020	\$ 104,356	15,253	119,609
Disposal of subsidiaries	(7,557)	-	(7,557)
Additions	1,114	-	1,114
Effect of movement in exchange rates	(122)	(72)	(194)
Balance as of March 31, 2020	<b>\$ 97,791</b>	<b>15,181</b>	<b>112,972</b>
Balance as of January 1, 2019 (Balance as of March 31, 2019)	<b>\$ 62,107</b>	<b>9,241</b>	<b>71,348</b>
Depreciation and impairment loss of the Right-of-use assets:			
Balance as of January 1, 2020	\$ 5,269	5,395	10,664
Disposal of subsidiaries	(1,417)	-	(1,417)
Depreciation	1,604	1,592	3,196
Effect of movement in exchange rates	(22)	(17)	(39)
Balance as of March 31, 2020	<b>\$ 5,434</b>	<b>6,970</b>	<b>12,404</b>
Balance as of January 1, 2019	\$ -	-	-
Depreciation	435	1,094	1,529
Balance as of March 31, 2019	<b>\$ 435</b>	<b>1,094</b>	<b>1,529</b>
Carrying amounts:			
January 1, 2020	<b>\$ 99,087</b>	<b>9,858</b>	<b>108,945</b>
March 31, 2020	<b>\$ 92,357</b>	<b>8,211</b>	<b>100,568</b>
January 1, 2019	<b>\$ 62,107</b>	<b>9,241</b>	<b>71,348</b>
March 31, 2019	<b>\$ 61,672</b>	<b>8,147</b>	<b>69,819</b>

## (h) Intangible assets

There were no significant additions, disposal or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2020 and 2019. Information on amortization for the period is discussed in Note 12(a). Please refer to note 6(h) of the 2018 annual consolidated financial statements for other related information.



## (i) Lease liabilities

The Group's lease liabilities were as follow:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current	<u><b>\$ 11,667</b></u>	<u><b>14,875</b></u>	<u><b>6,654</b></u>
Non-current	<u><b>\$ 90,307</b></u>	<u><b>95,435</b></u>	<u><b>63,274</b></u>

For the maturity analysis, please refer to note 6(s).

The amounts recognized in profit or loss were as follows:

	<b>January to March 2020</b>	<b>January to March 2019</b>
Interest on lease liabilities	<u><b>\$ 348</b></u>	<u><b>242</b></u>
Expenses relating to short-term leases	<u><b>\$ 1,110</b></u>	<u><b>1,198</b></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><b>\$ 115</b></u>	<u><b>196</b></u>

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

	<b>January to March 2020</b>	<b>January to March 2019</b>
Total cash outflow for leases	<u><b>\$ 4,636</b></u>	<u><b>3,056</b></u>

## (j) Provisions

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Warranty	<u><b>\$ 13,436</b></u>	<u><b>12,125</b></u>	<u><b>46,887</b></u>

There is no significant change in the liability reserve of the Group between January 1 to March 31, 2020 and 2019. For information, please refer to Note 6 (j) of the consolidated financial report of 2019.

## (k) Long-term borrowings

The Company obtained government project loans in March, 2020. The credit lines amounts is \$960,000 thousand.

	March 31, 2020			
	Currency	Interest rate	Due year	Amount
Unsecured bank loans	NTD	0.60	2020~2027	\$ 200,000
Less: deferred income				<u>4,014</u>
Total				\$ <u>195,986</u>
Current				-
Non-Current				\$ <u>195,986</u>
Total				\$ <u>195,986</u>
Deferred income-Government subsidy				
Current				\$ 940
Non-Current				<u>3,074</u>
Total				\$ <u>4,014</u>

(l) Employee benefits

1. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 6	6
Operating expenses	9	10
Total	<u>\$ 15</u>	<u>16</u>

2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2020 and 2019 were as follows:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 1,473	1,345
Operating expenses	2,305	1,569
Total	<u>\$ 3,778</u>	<u>2,914</u>

(m) Income tax

Tax expense in interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

The Group's income tax expense is as follows:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period	\$ 55,672	63,875
Income tax expenses	<b>\$ 55,672</b>	<b>63,875</b>

The ROC income tax authorities have examined the Company's income tax returns through 2017.

(n) Capital and other equity

Except for the following terms, there is no significant change in capital and other rights for the group between January 1 to March 31, 2020 and 2019 and the relevant liability is referred to in note 6 (n) of the consolidated financial report of 2019.

1. Retained earnings

In accordance with the Company's Articles of Incorporation amended on May 29, 2019, if the Company makes a profit in each semi fiscal year, the profit shall be first utilized for paying taxes, estimating employee remuneration, 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.

If the Company makes a profit in a 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. Whereas if it is in shares, it shall have to be proposed by the Board of Directors during the shareholders' meeting for approval.

In accordance with ROC Company Article 240, the Company authorizes the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two thirds of the total number of directors, and in addition, there to a report of such distribution shall be submitted to the shareholders' meeting.

On March 27, 2020, the amount of cash dividends of appropriations of earnings for 2019 had been approved by the Company's board of directors. On May 29, 2019, the shareholder's meetings resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

	<u>2020</u>	<u>2019</u>
Dividends distributed to ordinary stockholders:		
Cash (earnings)	<u><u>447,282</u></u>	<u><u>1,150,422</u></u>

## (o) Earnings per share

The calculation of the Company's basic and diluted earnings per is as follows:

## (i) Basic earnings per share

	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Net income attributable to ordinary shareholders of the Company	<u><u>\$ 225,775</u></u>	<u><u>261,399</u></u>
Weighted-average number of ordinary shares	<u><u>42,608</u></u>	<u><u>42,608</u></u>
Basic earnings per share (in NTD)	<u><u>\$ 5.30</u></u>	<u><u>6.13</u></u>

## (ii) Diluted earnings per share

	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Net income attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 225,775</u></u>	<u><u>261,399</u></u>
Weighted-average number of ordinary shares (basic)	42,608	42,608
Effect of potential ordinary shares		
Employee's stock bonus	<u>198</u>	<u>275</u>
Weighted-average number of ordinary shares (diluted)	<u><u>42,806</u></u>	<u><u>42,883</u></u>
Diluted earnings per share (in NTD)	<u><u>\$ 5.27</u></u>	<u><u>6.10</u></u>

## (p) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>For the three months ended March 31, 2020</u>		
	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Primary geographical markets:			
Taiwan	\$ 105,032	-	105,032
China	486,359	60,642	547,001
Others	<u>34,198</u>	<u>-</u>	<u>34,198</u>
	<u><u>\$ 625,589</u></u>	<u><u>60,642</u></u>	<u><u>686,231</u></u>

(Continued)

For the three months ended March 31, 2020			
	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Primary merchandises / Services lines:			
Sale of optical inspection machinery equipment	\$ 614,505	52,002	666,507
Revenue from services	<u>11,084</u>	<u>8,640</u>	<u>19,724</u>
	<u><b>\$ 625,589</b></u>	<u><b>60,642</b></u>	<u><b>686,231</b></u>

For the three months ended March 31, 2019			
	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Primary geographical markets:			
Taiwan	\$ 346,230	-	346,230
China	242,227	50,045	292,272
Others	<u>32,270</u>	<u>-</u>	<u>32,270</u>
	<u><b>\$ 620,727</b></u>	<u><b>50,045</b></u>	<u><b>670,772</b></u>

Primary merchandises / Services lines:			
Sale of optical inspection machinery equipment	\$ 608,139	40,566	648,705
Revenue from services	<u>12,588</u>	<u>9,479</u>	<u>22,067</u>
	<u><b>\$ 620,727</b></u>	<u><b>50,045</b></u>	<u><b>670,772</b></u>

(Concluded)

## (ii) Contract balance

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 19,168	13,709	10,828
Accounts receivable	1,305,833	1,189,257	1,263,606
Long-term accounts receivable	192,951	230,705	91,938
Less: allowance loss	<u>21,186</u>	<u>7,421</u>	<u>20,308</u>
	<u><b>\$ 1,496,766</b></u>	<u><b>1,426,250</b></u>	<u><b>1,346,064</b></u>
Contract liabilities--advance receipts	<u><b>\$ 33,167</b></u>	<u><b>13,594</b></u>	<u><b>32,241</b></u>

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

The contract liability is mainly due to advance receipts, wherein the Company will recognize revenue when the product is delivered to the customer. On January 1, 2020 and 2019, the amount of revenue recognized between January 1 to March 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$1,500 thousand and \$82,716 thousand respectively.

## (q) Remuneration to employees, directors and supervisors

In accordance with the Company's Articles, the profit for the year should be reserved to offset the deficit, then, should contribute no less than 5% of the profit as employee remuneration, and less than 3% as directors' and supervisors' remuneration.

The remunerations to employees amounted to \$25,620 thousand and \$35,259 thousand, respectively, for the three-months period ended March 31, 2020 and 2019. The remunerations to directors and supervisors amounted to \$4,482 thousand and \$7,059 thousand, respectively, for the three-months period ended March 31, 2020 and 2019. These amounts were calculated using the Company's net income before tax without the remuneration to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

In 2019 and 2018, the amount of employee remuneration is NT\$97,368 thousand and NT\$161,623 thousand, respectively, and that of directors and supervisors is NT\$17,931 thousand and NT\$32,037 thousand, respectively. There is no difference from the distribution of board resolutions. The information is available on the Market Observation Post System website.

## (r) Non-operating income and expenses

## (i) Other income

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income	\$ 823	2,298
Others	254	89
<b>Total Other income</b>	<b>\$ 1,077</b>	<b>2,387</b>

## (ii) Other gains and losses

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Losses on disposals of property, plant and equipment	(1)	-
Losses on disposals of investments	(2,280)	-
Foreign exchange gains (losses)	7,054	9,052
Others	(18)	-
<b>Other gains and losses, net</b>	<b>\$ 4,755</b>	<b>9,052</b>

## (iii) Finance costs

	For the three months ended March 31	
	2020	2019
Interest expense	\$ 348	242
(s) Financial instruments		

Except for the following, there is no significant change in the fair value of the financial instruments and the exposure to credit risks and market risks due to financial instruments. Please refer to note 6 (s) of the consolidated financial report of 2019.

## 1. Credit risk

The credit receivable account of the credit risk Group in March 31, 2020, December 31, 2019 and March 31, 2019 was concentrated on single customers, accounting for 19%, 13% and 24% of the receivable and accounts receivable (including long-term receivables) respectively.

## 2. 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	1-5 years	Over 5 years
<b>March 31, 2020</b>					
Non-derivative financial liabilities					
Long-term borrowings	\$ 200,000	204,944	1,174	148,426	55,344
Notes payable	724	724	724	-	-
Accounts payable	302,345	302,345	302,345	-	-
Other payables	416,441	416,441	416,441	-	-
Dividend payable	447,282	447,282	447,282	-	-
Lease liabilities (Current and Non-current)	101,974	125,241	11,667	30,700	82,874
	<b>\$ 1,468,766</b>	<b>1,496,977</b>	<b>1,179,633</b>	<b>179,126</b>	<b>138,218</b>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Notes payable	\$ 993	993	993	-	-
Accounts payable	381,467	381,467	381,467	-	-
Other payables	420,100	420,100	420,100	-	-
Lease liabilities (Current and Non-current)	110,310	133,741	14,875	35,202	83,664
	<b>\$ 912,870</b>	<b>936,301</b>	<b>817,435</b>	<b>35,202</b>	<b>83,664</b>

(Continued)

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>March 31, 2019</b>					
Non-derivative financial liabilities					
Notes payable	\$ 584	584	584	-	-
Accounts payable	333,914	333,914	333,914	-	-
Other payables	\$ 456,005	456,005	456,005	-	-
Dividend payable	1,150,422	1,150,422	1,150,422	-	-
Lease liabilities (Current and Non-current)	69,928	92,039	6,654	13,278	72,107
	<u>\$ 2,010,853</u>	<u>2,032,964</u>	<u>1,947,579</u>	<u>13,278</u>	<u>72,107</u>

(Concluded)

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

### 3. Currency risk

#### (1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>March 31, 2020</b>			
Financial assets:			
Monetary items:			
USD	\$ 40,480	30.2430	1,224,245
CNY	\$ 78,029	4.2570	332,171
Financial liabilities:			
Monetary items:			
USD	\$ 1,987	30.2430	60,080
CNY	\$ 10,895	4.2570	46,382
<b>December 31, 2019</b>			
Financial assets:			
Monetary items:			
USD	\$ 37,833	30.0360	1,136,356
CNY	\$ 71,779	4.3100	309,366
Financial liabilities:			
Monetary items:			
USD	\$ 2,154	30.0360	64,698
CNY	\$ 10,696	4.3100	46,100

(Continued)



	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>March 31, 2019</b>			
Financial assets:			
Monetary items:			
USD	\$ 28,426	30.8180	876,028
JPY	\$ 86,901	0.2789	24,237
CNY	\$ 50,535	4.5800	231,448
Financial liabilities:			
Monetary items:			
USD	\$ 3,058	30.8180	94,247
CNY	\$ 6,680	4.5800	30,593
			(Concluded)

The exchange rate risk of a Group is mainly derived from foreign currency denominated cash and cash, receivables and payables and so on, which will generate foreign currency exchange gains and losses in conversion. In March 31, 2020 and 2019 when the NT dollar depreciated or appreciated by 3% compared to the US dollar, Japanese currency and RMB exchange rate, and all other factors remained unchanged; the net profit after tax will increase or decrease by \$34,799 thousand and \$24,165 thousand respectively between January 1 to March 31, 2020 and 2019.

Due to the wide variety of trading currencies of Group, the exchange and profit and loss information of monetary items was disclosed by collecting and consolidation methods. The net profit (loss) net (including realized and unrealized) of foreign currency exchange between January 1 to March 31, 2020 and 2019 were \$7,054 thousand and \$9,052 thousand, respectively.

## (2) Interest rate analysis

The following sensitivity analysis is determined by the interest rate storm risk of derivative and non-derivative instruments in the reporting day. For floating rate liabilities, the way of analysis is to assume that the amount of debt in circulation outside the reporting day is in circulation throughout the year. The rate of change used to report interest rates to key management within the Group is an increase or loss of 1% per cent in interest rates, which also represents an assessment by management of the extent to which interest rates may vary reasonably.

If interest rates increase or decrease by 1%, in the event that all other variables remain unchanged, the Group of tax net profit will increase or decrease \$2,642 thousand and \$4,539 thousand, respectively between January 1 to March 31, 2020 and 2019.

## 4. Information of fair value

## (1) Categories and fair value of financial instruments

To consolidate the carrying amount and fair value of the Group's financial assets and financial liabilities (including fair value grade information, but not to measure the reasonable approximate value of the carrying amount of a financial instrument at fair value, and to invest in equity instruments that are not quoted in the market and whose fair value cannot be reliably measured, The requirement not to disclose fair value information is set out below:

	March 31, 2020				
	Carrying amount	Fair Value			
		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	1,058,295	-	-	-	-
Accounts, notes and long-term receivables	1,496,766	-	-	-	-
Other receivables	28,096				
Refundable deposits	14,576	-	-	-	-
Other non-current assets	7,402	-	-	-	-
Subtotal	2,605,135	-	-	-	-
Total	\$ 2,614,779	-	-	9,644	9,644
Financial liabilities measured at amortized cost					
Long-term borrowings	\$ 200,000	-	-	-	-
Notes payable	724	-	-	-	-
Accounts payable	302,345	-	-	-	-
Other payables	416,441	-	-	-	-
Dividends payable	447,282	-	-	-	-
Lease liabilities	101,974	-	-	-	-
Total	\$ 1,468,766	-	-	-	-

(Continued)

December 31, 2019					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
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	741,899	-	-	-	-
Accounts, notes and long-term receivables	1,426,250	-	-	-	-
Refundable deposits	17,807				
Other non-current assets	7,401	-	-	-	-
Subtotal	2,193,357	-	-	-	-
Total	<u>\$ 2,203,001</u>	<u>-</u>	<u>-</u>	<u>9,644</u>	<u>9,644</u>
Financial liabilities measured at amortized cost					
Notes payable	\$ 993	-	-	-	-
Accounts payable	381,467	-	-	-	-
Other payables	420,100	-	-	-	-
Lease liabilities	110,310	-	-	-	-
Total	<u>\$ 912,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

March 31, 2019					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
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	1,816,989	-	-	-	-
Accounts, notes and long-term receivables	1,346,064	-	-	-	-
Refundable deposits	8,141	-	-	-	-
Other non-current assets	2,189	-	-	-	-
Subtotal	3,173,383	-	-	-	-
Total	<u>\$ 3,183,027</u>	<u>-</u>	<u>-</u>	<u>9,644</u>	<u>9,644</u>

(Continued)

		March 31, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost						
Notes payable	\$	584	-	-	-	-
Accounts payable		333,914	-	-	-	-
Other payables		456,005	-	-	-	-
Dividends payabl		1,150,422	-	-	-	-
Lease liabilities		69,928	-	-	-	-
Total	\$	2,010,853	-	-	-	-
(Concluded)						

(Concluded)

(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.

(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

	<b>Unquoted equity instruments</b>
Balance at March 31, 2020 (Balance at January 1, 2020)	<b><u>\$ 9,644</u></b>
Balance at March 31, 2019 (Balance at January 1, 2019)	<b><u>\$ 9,644</u></b>

## (5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through profit or loss - equity investments without an active market	Comparative listed company	<p>*Price book ratio (As of March 31, 2019, December 31, 2018, March 31, 2018 were 3.79, 3.79 and 3.33)</p> <p>*P/E ratio (As of March 31, 2019, December 31, 2018, March 31, 2018 were 12.47, 12.47 and 24.98)</p> <p>*Market illiquidity discount rate (As of March 31, 2019, December 31, 2018, March 31, 2018 were all 20%)</p>	<p>*The price book ratio and the P/E ratio the were higher, the fair value is higher</p> <p>*The market illiquidity discount were higher, the fair value is lower</p>

## (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	Favorable	Unfavorable
March 31, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	3,917	(3,917)
December 31, 2019				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	3,917	(3,917)
March 31, 2019				
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 favorable and unfavorable effects represent the changes in fair value and the fair value are based on a variety of unobservable inputs calculated using a valuation technique.

(t) Financial Risk Management

Consolidation of corporate financial risk management objectives and policies there were no significant changes in the disclosure of Notes 6 (t) to the 2019 consolidated financial report.

(u) Capital Management

The Group's capital management objectives, policies and procedures are consistent with those revealed in the 2019 consolidated financial report; there have also been no significant changes in the aggregate quantitative data for the capital management project and in the consolidated financial report of 2019. For information, please refer to note 6 (u) of the consolidated financial report of 2019.

(v) Reconciliation of liabilities arising from financing activities

The Group's liability adjustment associated with financing activities for the nine months ended March 31, 2020 were as follows:

	Non-cash adjustments						March 31, 2020
	January 1, 2020	Cash flows	Increase in right-of- use assets	Disposal of Subsidiary	Foreign exchange movement	Interest expenses	
Long-term borrowings	\$ -	200,000	-	-	-	-	200,000
Lease liabilities	110,310	(3,411)	1,114	(6,230)	(157)	348	101,974
Total liabilities from financing activities	<u>\$ 110,310</u>	<u>196,589</u>	<u>1,114</u>	<u>(6,230)</u>	<u>(157)</u>	<u>348</u>	<u>301,974</u>

  

	Non-cash adjustments						March 31, 2019
	January 1, 2019	Cash flows	Increase in right-of- use assets	Modifications	Foreign exchange movement	Interest expenses	
Lease liabilities	\$ 71,348	(1,662)	-	-	-	242	69,928
Total liabilities from financing activities	<u>\$ 71,348</u>	<u>(1,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242</u>	<u>69,928</u>

(7) Related-party transactions

The compensation of the key management personnel comprised the following:

	For the three months ended March 31	
	2020	2019
Short-term employee benefits	\$ 14,721	15,131
Post-employment benefits	81	57
	<u>\$ 14,802</u>	<u>15,188</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Other non-current sets:				
Time deposits	Guarantee for customs	\$ 1,510	1,509	506
Time deposits	Guarantee for rent the land from the	5,892	5,892	1,683
		<b>\$ 7,402</b>	<b>7,401</b>	<b>2,189</b>

**(9) Commitments and contingencies: None.****(10) Losses due to major disasters: None.****(11) Subsequent events:**

The Company's board of directors approved cash capital increase by issuing common shares on February 5, 2020, number of shares issued: 2,120,000, par value per share: NTD 10, issued price per share: NTD 250. This procedure does not complete yet.

**(12) Other**

(1)The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

<b>By function</b>	<b>Three months ended March 31, 2020</b>			<b>Three months ended March 31, 2019</b>		
	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
<b>By item</b>						
Employee benefits						
Salary	28,038	73,995	102,033	27,495	72,927	100,422
Labor and health insurance	2,399	3,986	6,385	2,420	2,791	5,211
Pension	1,479	2,314	3,793	1,351	1,579	2,930
Directors' remuneration	-	4,701	4,701	-	7,167	7,167
Other employee benefits	4,654	8,368	13,022	5,998	7,146	13,144
Depreciation	3,406	4,716	8,122	1,665	2,251	3,916
Amortization	-	28	28	-	28	28

**(2) Seasonality of operations:**

The operation of the Group is not affected by seasonal or cyclical factors.

**(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:

- Loans to other parties: None.
- Guarantees and endorsements for other parties: None.
- Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(Amounts in Thousands of New Taiwan Dollar)

Company holding securities	Security type and name	Relationship with the Company	Account	March 31, 2020				Notes
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value	
The Company	Yayatech Co. Ltd.	-	Financial assets at fair value through profit or loss	884,000	9,644	5 %	9,644	

- Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Related party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company Name	Related Party	Nature of relationships	Balance as March 31, 2020	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts
					Amount	Action Taken		
The Company	Machvision (Dongguan) Inc.	Subsidiaries	314,785	0.32	144,852	Depends on the end customer's credit period	- (As of May 4, 2020)	-

- Trading in derivative instruments: None.
- 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	24,519	Depends on the Group overall profit allocation	3.57%
0	Sigold Optics. Inc.	1	Operating revenue	30,038	Depends on the Group overall profit allocation	4.38%
0	Machvision (Dongguan) Inc.	1	Accounts receivable – related parties (including long-term accounts receivable)	314,785	Depends on the end customer's credit period	9.19%
0	Sigold Optics. Inc.	1	Accounts receivable – related parties (including long-term accounts receivable)	66,804	Depends on the end customer's credit period	1.95%
0	Machvision (Dongguan) Inc.	1	Other payables – related parties	56,743	Dependent on capital budgeting	1.66%



Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

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

- (1) 1 represents downstream transactions.
- (2) 2 represent 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 was selected for disclosure.

(b) Information on investees:

The following is the information on investees for January 1 to March 31, 2020 (excluding information on investees in China):

Unit: NT\$1,000

Name of Investor	Name of Investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses) (Note 3)	Notes
				March 31, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
The Company	Machvision Inc.	Samoa	Investment	62,422	62,422	2,003,440	100.00%	(21,021)	(4,317)	(4,317)	Note 1, 2
The Company	Machvision Holding (Samoa) Limited	Samoa	Investment	22,992	22,992	1,600,000	100.00%	28,096	(2,280)	(2,280)	Note 1, 2
The Company	Autovision Technology Inc.	Taiwan	Manufacturing of computer peripheral products	9,000	9,000	900,000	45.00%	9,949	(848)	(382)	Note 2
The Company	Sigold Optics Inc.	Taiwan	Manufacturing of machinery equipment	49,470	49,470	5,540,640	49.47%	69,211	7,734	3,826	Note 2
The Company	Machvision Korea Co., Ltd.	Korea	Maintaining and trading of machinery equipment	21,542	21,542	10,000	100.00%	12,214	(1,253)	(1,253)	Note 2
The Company	ChipAI Co., LTD.	Taiwan	Manufacturing of computer peripheral products	18,000	18,000	1,800,000	90.00%	11,952	(1,495)	(1,345)	Note 2
The Company	MiM Tech. Inc.	Taiwan	Manufacturing of computer peripheral products	24,244	24,244	836,000	40.98%	23,558	547	224	Note 2
The Company	RedPay Co., Ltd.	Taiwan	Manufacturing of computer peripheral products	10,000	10,000	500,000	50.00%	5,964	(2,889)	(1,445)	Note 2
Sigold Optics Inc.	SISSCA Co.,Ltd.	Taiwan	Manufacturing of computer peripheral products	7,700	-	770,000	70.00%	7,700	-	-	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 China:

(i) The names of investees in China, the main businesses and products, and other information:

Unit: NT\$1,000

Name of investee investment in China	Major operations	Issued capital	Method of investment (Note 1)	Beginning remittance balance - cumulative investment (amount) from Taiwan	Current remittance / recoverable 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 (Notes 4)	Book value	Remittance of investment income in current period
					Invested amount	Returned amount						
Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	62,350	(2)i	62,350	-	-	62,350	(4,317)	100%	(4,317)	(17,153)	-
Dongguan muxin intelligent equipment Co., Ltd	Maintaining and trading of machinery equipment	4,044	(4)i	-	-	-	-	(563)	51%	(287)	1,887	-

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

- (1) Remittance from third region companies to invest in Mainland China.
- (2) Through the establishment of third region companies then investing in Mainland China.
  - i. Through the establishment of Machvision Inc. then investing in Mainland China.
- (3) Through transferring the investment to third region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.
  - i. Through the establishment of Machvision (Dongguan) Inc. then investing in Mainland China.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

Note 3: The recognition of investment gains and losses in this period is based on the same period that the invested company prepares its own financial reports that have not been approved by the accountant, and the evaluation of the rights and interest's method is adopted.

(ii) Limitation on investment in China:

Company name	Accumulated investment amount in China as of March 31, 2020	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 (Note 2)	110,642 (Note 2)	1,012,590 (Note 1)

Note 1: It represents 60% of the Company's net equity.

Note 2: Since the investment amount in Guangdong Greatsense Intelligent Equipment Co., Ltd. was returned in April, 2020, which was included in the above Accumulated investment amount in Mainland China and Investment amount approved by Investment Commission, Ministry of Economic Affairs.

(iii) Major trading matters with mainland invested companies

For the Group's directly or indirectly significant transactions with mainland invested companies as of January 1 to March 31, 2020, please refer to the description at "Business relationships and significant inter-company transactions" mentioned above.

(d) Information of major shareholders:

Shareholding	Shares	Percentage
Shareholder's Name		
Nan Shan Life Insurance Company, Ltd.	3,211,000	7.53%

**(14) Segment Information**

The company operates a single industry, mainly engaged in optical testing machinery and equipment manufacturing, sales and testing business. The end use of its products is similar, and the operating decision maker is the Company's overall assessment of performance and allocation of resources, identified by the company only a single reporting department.

Information on reportable departments and reconciliation for the Group is as follows:

**January 1 to March 31, 2020**

	<u>Taiwan</u>	<u>China</u>	<u>Adjustments or elimination</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ 625,589	60,642	-	686,231
Inter-segment revenues	62,637	-	(62,637)	-
Total revenue	<u>\$ 688,226</u>	<u>60,642</u>	<u>(62,637)</u>	<u>686,231</u>
Reportable segment profit or loss	<u>\$ 282,146</u>	<u>(4,288)</u>	<u>-</u>	<u>277,858</u>

**January 1 to March 31, 2019**

	<u>Taiwan</u>	<u>China</u>	<u>Adjustments or elimination</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ 620,727	50,045	-	670,772
Inter-segment revenues	40,501	-	(40,501)	-
Total revenue	<u>\$ 661,228</u>	<u>50,045</u>	<u>(40,501)</u>	<u>670,772</u>
Reportable segment profit or loss	<u>\$ 330,673</u>	<u>(13,890)</u>	<u>-</u>	<u>316,783</u>

Between January 1 to March 31, 2020 and 2019, the inter-department revenues are \$62,637 thousand and \$40,501 thousand, respectively, and should be eliminated from total department revenue.