

Stock Code:3563

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2020 and 2019**

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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 June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, and the related consolidated statements of changes in equity and cash flows for the six months ended June 30, 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. Our responsibility is to express a conclusion on the consolidated financial statements base on our review.

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) the non-significant subsidiaries of the consolidated financial reports were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors; the total amount of assets was \$660,122 thousand and \$493,581 thousand respectively, accounting for 16% and 12% of the total consolidated assets respectively; the total liabilities were \$68,648 thousand and \$99,983 thousand respectively, accounting for 4% of the total consolidated liabilities; the consolidated profits and losses for the three months and the six months ended June 30, 2020 and 2019, were \$(17,708) thousand, \$4,507 thousand, \$(23,524) thousand, and \$(2,793) thousand respectively, accounting for (9)%, 1%, (5)%, and 0% of the consolidated profit and loss 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, 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 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.

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

KPMG

Taipei, Taiwan (Republic of China)

July 31, 2020

Notes to Readers

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

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Balance Sheets

June 30, 2020 December 31, 2019 and June 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2020		December 31, 2019		June 30, 2019				June 30, 2020		December 31, 2019		June 30, 2019	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 1,665,772	41	741,899	24	1,818,792	45	2130	Current contract liabilities (Note 6(p))	\$ 18,641	-	13,594	-	84,760	2
1151	Notes receivable (Note 6(b) and (p))	15,155	-	13,709	-	11,499	-	2150	Notes payable	377	-	993	-	230	-
1170	Accounts receivable, net (Note 6(b) and (p))	1,392,040	34	1,181,836	39	1,486,538	37	2170	Accounts payable	266,429	8	381,467	13	310,657	8
130x	Inventories (Note 6(c))	371,904	9	381,669	13	268,104	7	2209	Other payables (Note 6(q))	385,542	9	420,100	14	499,659	12
1410	Prepayments	28,211	1	23,064	1	13,223	-	2216	Dividend payable (Note 6(n))	447,282	11	-	-	1,150,422	28
1479	Other current assets	<u>16,524</u>	<u>-</u>	<u>13,039</u>	<u>-</u>	<u>13,741</u>	<u>-</u>	2230	Current tax liabilities	107,231	3	33,141	1	142,230	4
	Total current assets	<u>3,489,606</u>	<u>85</u>	<u>2,355,216</u>	<u>77</u>	<u>3,611,897</u>	<u>89</u>	2250	Provisions – current (Note 6(j))	12,875	-	12,125	-	31,597	1
Non-current assets:								2280	Lease Liabilities – current (Note 6(i))	11,721	-	14,875	-	7,538	-
1510	Financial assets at fair value through profit or loss—Non current (Note 6(e))	10,744	-	9,644	-	9,644	-	2313	Deferred revenue (Note 6(k))	1,058	-	-	-	-	-
1600	Property, plant and equipment (Note 6(f))	268,702	7	267,915	9	252,562	6	2322	Current portion of long-term borrowings (Note 6(k))	5,625	-	-	-	-	-
1755	Right-of-use assets (Note 6(g))	79,483	2	108,945	4	72,400	2	2399	Other current liabilities	<u>12,432</u>	<u>-</u>	<u>19,014</u>	<u>1</u>	<u>10,328</u>	<u>-</u>
1780	Intangible assets	8,843	-	8,898	-	248	-		Total current liabilities	<u>1,269,213</u>	<u>31</u>	<u>895,309</u>	<u>29</u>	<u>2,237,421</u>	<u>55</u>
1840	Deferred income tax assets	37,460	1	37,460	1	25,686	1	Non-Current liabilities:							
1920	Refundable deposits	10,886	-	17,807	1	9,834	-	2540	Long-term borrowings (Note 6(k))	210,257	5	-	-	-	-
1932	Long-term receivables (Note 6(b) and (p))	181,718	5	230,705	8	64,331	2	2570	Deferred income tax liabilities	-	-	-	-	780	-
1995	Other non-current assets (Note 8)	<u>8,987</u>	<u>-</u>	<u>7,401</u>	<u>-</u>	<u>4,142</u>	<u>-</u>	2580	Lease liabilities – Non-current (Note 6(i))	68,912	2	95,435	3	64,960	2
	Total non-current assets	606,823	15	688,775	23	438,847	11	2630	Long-term deferred revenue (Note 6(k))	3,060	-	-	-	-	-
								2640	Net defined benefit liabilities – Non-current	<u>10,429</u>	<u>-</u>	<u>10,429</u>	<u>-</u>	<u>9,497</u>	<u>-</u>
									Total non-current liabilities	<u>292,658</u>	<u>7</u>	<u>105,864</u>	<u>3</u>	<u>75,237</u>	<u>2</u>
									Total liabilities	<u>1,561,871</u>	<u>38</u>	<u>1,001,173</u>	<u>32</u>	<u>2,312,658</u>	<u>57</u>
									Equity attributable to shareholders of the Company (Note 6(n)):						
								3100	Share capital	<u>447,282</u>	<u>11</u>	<u>426,082</u>	<u>14</u>	<u>426,082</u>	<u>11</u>
									Capital surplus:						
								3211	Additional paid-in capital arising from ordinary share	568,285	14	59,485	2	59,485	1
								3235	Number of changes in recognition of ownership rights and interests of subsidiaries	4	-	4	-	4	-
								3280	Capital surplus, Others	<u>23</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>23</u>	<u>-</u>
										<u>568,312</u>	<u>14</u>	<u>59,512</u>	<u>2</u>	<u>59,512</u>	<u>1</u>
									Retained earnings:						
								3310	Legal reserve	395,088	9	309,915	10	309,915	8
								3320	Special reserve	4,543	-	2,957	-	2,957	-
								3350	Unappropriated retained earnings	<u>1,013,682</u>	<u>25</u>	<u>1,115,977</u>	<u>38</u>	<u>836,003</u>	<u>20</u>
										<u>1,413,313</u>	<u>34</u>	<u>1,428,849</u>	<u>48</u>	<u>1,148,875</u>	<u>28</u>
									Other equity interest:						
								3410	Exchange differences on translation of foreign financial statements	<u>(3,791)</u>	<u>-</u>	<u>(4,543)</u>	<u>-</u>	<u>(2,520)</u>	<u>-</u>
									Equity attributable to the parent Company	<u>2,425,116</u>	<u>59</u>	<u>1,909,900</u>	<u>64</u>	<u>1,631,949</u>	<u>40</u>
								36xx	Non-controlling interests	<u>109,442</u>	<u>3</u>	<u>132,918</u>	<u>4</u>	<u>106,137</u>	<u>3</u>
									Total Equity	<u>2,534,558</u>	<u>62</u>	<u>2,042,818</u>	<u>68</u>	<u>1,738,086</u>	<u>43</u>
									Total liabilities and equity	<u>\$4,096,429</u>	<u>100</u>	<u>3,043,991</u>	<u>100</u>	<u>4,050,744</u>	<u>100</u>
	Total assets	<u>\$ 4,096,429</u>	<u>100</u>	<u>3,043,991</u>	<u>100</u>	<u>4,050,744</u>	<u>100</u>								

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 and six months ended June 30, 2020 and 2019

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

		For the three months ended June 30				For the six months ended June 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Note 6(p))	\$ 677,118	100	779,880	100	1,363,349	100	1,450,652	100
5000	Operating costs (Notes 6(c), 6(f), 6(g), 6(i), 6(l), 6(q) and 7)	220,726	33	254,536	33	462,232	34	469,873	32
5900	Gross profit	456,392	67	525,344	67	901,117	66	980,779	68
6000	Operating expenses (Notes 6(b), 6(f), 6(g), 6(i), 6(l) and 6(q))								
6100	Selling expenses	62,292	9	55,263	7	138,219	10	108,283	7
6200	Administrative expenses	25,524	4	34,607	4	54,997	4	64,821	5
6300	Research and development expenses	63,628	9	55,598	7	111,329	8	103,231	7
6450	Expected credit impairment loss (gain)	18,281	3	(13,939)	(2)	32,047	2	(6,154)	-
	Total operating expenses	169,725	25	131,529	16	336,592	24	270,181	19
	Net operating income	286,667	42	393,815	51	564,525	42	710,598	49
7000	Non-operating income and expenses (Notes 6(d) , 6(i) and 6(r))								
7100	Interest income	602	-	2,226	-	1,425	-	4,524	-
7010	Other income	893	-	96	-	1,147	-	185	-
7020	Other gains and losses	(32,115)	(4)	3,469	-	(27,360)	(2)	12,521	1
7050	Finance costs	(584)	-	(261)	-	(932)	-	(503)	-
	Total non-operating income and expenses	(31,204)	(4)	5,530	-	(25,720)	(2)	16,727	1
	Profit before income tax from continuing operations	255,463	38	399,345	51	538,805	40	727,325	50
7950	Less: Income tax expense (Note 6(m))	49,154	7	77,143	10	104,826	8	141,018	10
	Net Profit for The Period from operations	206,309	31	322,202	41	433,979	32	586,307	40
8300	Other Comprehensive Income (Loss):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange Differences on Translation of Foreign Financial Statements	(46)	-	(261)	-	(785)	-	437	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		(46)	-	(261)	-	(785)	-	437	-
8300	Other comprehensive income (loss) for the period	(46)	-	(261)	-	(785)	-	437	-
	Total comprehensive income for the period	<u>\$ 206,263</u>	<u>31</u>	<u>321,941</u>	<u>41</u>	<u>433,194</u>	<u>32</u>	<u>586,744</u>	<u>40</u>
	Net income attribute to:								
	Owners of the parent company	\$ 205,971	31	310,363	39	431,746	32	571,762	39
8620	Non-controlling interests	338	-	11,839	2	2,233	-	14,545	1
		<u>\$ 206,309</u>	<u>31</u>	<u>322,202</u>	<u>41</u>	<u>433,979</u>	<u>32</u>	<u>586,307</u>	<u>40</u>
	Total comprehensive income attributed to:								
	Owners of the parent company	\$ 207,466	31	310,102	39	432,498	32	572,199	39
	Non-controlling interests	(1,203)	-	11,839	2	696	-	14,545	1
		<u>\$ 206,263</u>	<u>31</u>	<u>321,941</u>	<u>41</u>	<u>433,194</u>	<u>32</u>	<u>586,744</u>	<u>40</u>
9750	Earnings Per Share (Note 6(o))								
9710	Basic earning per shares (Units: New Taiwan dollars)	<u>\$ 4.71</u>		<u>7.28</u>		<u>10.00</u>		<u>13.42</u>	
9810	Diluted earning per shares (Units: New Taiwan dollars)	<u>\$ 4.70</u>		<u>7.25</u>		<u>9.96</u>		<u>13.32</u>	

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 Changes in Equity

For the six ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other equity Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Retained earnings									
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriate 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	-	-	-	-	571,762	571,762	-	571,762	14,545	586,307
Other comprehensive income for the period	-	-	-	-	-	-	437	437	-	437
Total comprehensive income for the period	-	-	-	-	571,762	571,762	437	572,199	14,545	586,744
Changes in non-controlling interests	-	-	-	-	-	-	-	-	30,413	30,413
Balance at June 30, 2019	\$ 426,082	59,512	309,915	2,957	836,003	1,148,875	(2,520)	1,631,949	106,137	1,738,086
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:										
Legal reserve appropriated	-	-	85,173	-	(85,173)	-	-	-	-	-
Special reserve appropriated	-	-	-	1,586	(1,586)	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(447,282)	(447,282)	-	(447,282)	-	(447,282)
Profit for the period	-	-	-	-	431,746	431,746	-	431,746	2,233	433,979
Other comprehensive income for the period	-	-	-	-	-	-	752	752	(1,537)	(785)
Total comprehensive income for the period	-	-	-	-	431,746	431,746	752	432,498	696	433,194
Issuance of ordinary shares for cash	21,200	508,800	-	-	-	-	-	530,000	-	530,000
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(29,521)	(29,521)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	5,349	5,349
Balance at June 30, 2020	\$ 447,282	568,312	395,088	4,543	1,013,682	1,413,313	(3,791)	2,425,116	109,442	2,534,558

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 Cash Flows
For the six months ended June 30, 2020 and 2019

	For the six months ended June 30	
	2020	2019
Cash flows from operating activities		
Profit before tax	\$ 538,805	727,325
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	16,545	8,271
Amortization expense	55	55
Expected credit impairment loss(gain)	32,047	(6,154)
Interest expense	932	503
Interest income	(1,425)	(4,524)
Dividend income	(170)	-
Loss on disposal of property, plant and equipment	6	-
Loss on investment	2,254	-
Resulting gain from lease modification	(380)	-
Total adjustments to reconcile profit	<u>49,864</u>	<u>(1,849)</u>
Changes in operating assets and liabilities		
Changes in operating assets, net		
Notes receivable	(1,446)	6,880
Accounts receivable(including Long-term accounts receivable)	(255,041)	(387,748)
Inventories	1,818	(34,103)
Prepayments	(8,965)	4,438
Other current assets	<u>(4,841)</u>	<u>(6,470)</u>
Total changes in operating assets, net	<u>(268,475)</u>	<u>(425,879)</u>
Changes in operating liabilities, net		
Contract liabilities	16,255	2,044
Notes payable	(616)	(1,128)
Accounts payable	(95,446)	(8,035)
Other payables	(32,918)	42,553
Provisions liabilities	750	(13,756)
Other current liabilities	<u>(1,900)</u>	<u>(3,170)</u>
Total changes in operating liabilities, net	<u>(113,875)</u>	<u>18,508</u>
Total changes in operating assets and liabilities, net	<u>(382,350)</u>	<u>(407,371)</u>
Total adjustments	<u>(332,486)</u>	<u>(409,220)</u>
Cash inflows generated from operations	206,319	318,105
Interest received	1,258	4,612
Income taxes paid	<u>(30,736)</u>	<u>(270,504)</u>
Net cash flow from operating activities	<u>176,841</u>	<u>52,,213</u>
Cash flow used in investing activities		
Acquisition of financial assets at fair value through profit or loss	(1,100)	-
Disposal of subsidiaries	8,939	-
Acquisition of property, plant and equipment	(14,175)	(19,673)
Decrease (increase) in guarantee deposits paid	5,750	(4,549)
Increase in other non-current assets	(1,186)	(921)
Dividends received	<u>170</u>	<u>-</u>
Net cash flows used in investing activities	<u>(1,602)</u>	<u>(25,143)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	220,000	-
Payment of lease liabilities	(4,650)	(3,715)
Issuance of ordinary shares for cash	530,000	-
Interest paid	(2,307)	-
Changes in non controlling interests	5,349	30,413
Surplus not paid due to overdue	<u>-</u>	<u>20</u>
Net cash flows used in financing activities	<u>748,392</u>	<u>26,718</u>
Effect of exchange rate changes on cash and cash equivalents	<u>242</u>	<u>162</u>
Increase in cash and cash equivalents for the period	<u>923,873</u>	<u>53,950</u>
Cash and cash equivalents at the beginning of the period	<u>741,899</u>	<u>1,764,842</u>
Cash and cash equivalents at the end of the period	<u>\$ 1,665,772</u>	<u>1,818,792</u>

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 six months ended June 30, 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 June 30, 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 July 31, 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:

New/Revised/Amended Standards and Interpretations	Effective date per IASB
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
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 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.

(Continued)

(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, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

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

(Continued)

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
			June 30, 2020	December 31, 2019	June 30, 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%	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%	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: The subsidiary disposed of all the shares of Guandong Greatsense Intelligent Equipment Co., Ltd. at January, 2020.

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

(Continued)

(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 recognized 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.

(Continued)

(6) Explanation of significant accounts**(a) Cash and cash equivalents**

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 991	2,038	889
Saving deposits	814,427	239,065	939,906
Foreign currency deposits	494,595	254,841	219,374
Time deposits	355,759	245,955	658,623
Cash and cash equivalents per statements of cash flow	\$ 1,665,772	741,899	1,818,792

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

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 15,155	13,709	11,499
Accounts receivable	1,431,303	1,189,257	1,492,904
Long-term accounts receivable	182,019	231,192	64,975
Less: allowance for impairment	39,263	7,421	6,366
unrealized interest income	301	487	644
	\$ 1,588,913	1,426,250	1,562,368

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:

(Continued)

	June 30, 2020		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 1,323,572	0.0000%	-
1 to 90 days past due	153,124	0.2740%	420
91 to 180 days past due	39,007	1.9919%	777
181 to 270 days past due	43,706	5.8451%	2,554
271 to 365 days past due	62,260	46.5870%	29,005
Past due over 365 days	6,507	100.000%	6,507
	<u>\$ 1,628,176</u>		<u>39,263</u>

	December 31, 2019		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
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
	<u>\$ 1,433,671</u>		<u>7,421</u>

	June 30, 2019		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 1,322,864	0.0002%	3
1 to 90 days past due	120,307	0.18%	216
91 to 180 days past due	54,641	1.395%	762
181 to 270 days past due	68,960	5.036%	3,473
271 to 365 days past due	96	46.939%	46
Past due over 365 days	1,866	100.000%	1,866
	<u>\$ 1,568,734</u>		<u>6,366</u>

(Continued)

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

	<u>For the six months ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 7,421	12,520
Impairment losses recognized	32,047	(6,154)
Amounts written off	(85)	-
Foreign exchange (losses) / gains	(120)	-
Balance at June 30	<u><u>\$ 39,263</u></u>	<u><u>6,366</u></u>

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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Merchandise and finished goods	\$ 86,317	106,004	71,162
Work in process	70,516	82,107	60,408
Raw material	<u>215,071</u>	<u>193,558</u>	<u>136,534</u>
	<u><u>\$ 371,904</u></u>	<u><u>381,669</u></u>	<u><u>268,104</u></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 June 30</u>		<u>For the six months ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Losses on decline in market value and write-down of inventory	<u><u>\$ (495)</u></u>	<u><u>2,974</u></u>	<u><u>4,304</u></u>	<u><u>6,731</u></u>

(Continued)

(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 investment loss was \$2,254 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>60,247</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Unlisted stocks (domestic)			
Yayatech Co., Ltd.	\$ 9,644	9,644	9,644
For Win Tech Co., Ltd.	<u>1,100</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,744</u>	<u>9,644</u>	<u>9,644</u>

(f) Property, plant and equipment

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

(Continued)

	Buildings and structures	Machinery and equipment	Other equipment	Construction in progress	Total
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	1,841	1,117	3,193	8,024	14,175
Reclassification	12,774	-	-	(13,174)	(400)
Disposals	-	(495)	(201)	-	(696)
Effect of movement in exchange rates	(976)	(1)	(86)	-	(1,063)
Balance as of June 30, 2020	\$ 279,822	4,871	19,782	22,845	327,320
Balance as of January 1, 2019	\$ 235,761	4,357	11,378	27,874	279,370
Additions	12,791	114	4,423	2,345	19,673
Reclassification	9,376	-	-	(10,408)	(1,032)
Disposals	-	(556)	(1,720)	-	(2,276)
Effect of movement in exchange rates	374	-	24	-	398
Balance as of June 30, 2019	\$ 258,302	3,915	14,105	19,811	296,133
Depreciation and impairment losses:					
Balance as of January 1, 2020	\$ 42,653	1,318	5,906	-	49,877
Disposal of subsidiaries	-	-	(422)	-	(422)
Depreciation	8,173	365	1,723	-	10,261
Disposals	-	(495)	(195)	-	(690)
Effect of movement in exchange rates	(378)	-	(30)	-	(408)
Balance as of June 30, 2020	\$ 50,448	1,188	6,982	-	58,618
Balance as of January 1, 2019	\$ 34,022	1,162	5,579	-	40,763
Depreciation	3,440	402	1,119	-	4,961
Disposals	-	(556)	(1,720)	-	(2,276)
Effect of movement in exchange rates	118	-	5	-	123
Balance as of June 30, 2019	\$ 37,580	1,008	4,983	-	43,571
Carrying amounts:					
January 1, 2020	\$ 223,530	2,932	13,458	27,995	267,915
June 30, 2020	\$ 229,374	3,683	12,800	22,845	268,702
January 1, 2019	\$ 201,739	3,195	5,799	27,874	238,607
June 30, 2019	\$ 220,722	2,907	9,122	19,811	252,562

(g) Right-of-use assets

The cost and depreciation of land, building and transportation equipment of the Group were as follows:

	Land and buildings	Other equipment	Total
Cost:			
Balance as of January 1, 2020	\$ 104,356	15,253	119,609
Disposal of subsidiaries	(7,557)	-	(7,557)
Additions	2,415	4,482	6,897
Lease modification	(24,414)	(1,080)	(25,494)
Effect of movement in exchange rates	(160)	(80)	(240)
Balance as of June 30, 2020	\$ 74,640	18,575	93,215
Balance as of January 1, 2019	\$ 62,107	9,241	71,348
Additions	2,812	1,515	4,327
Effect of movement in exchange rates	24	13	37
Balance as of January 1, 2019	\$ 64,943	10,769	75,712

(Continued)

	Land and buildings	Other equipment	Total
Depreciation and impairment loss:			
Balance as of January 1, 2020	\$ 5,269	5,395	10,664
Disposal of subsidiaries	(1,417)	-	(1,417)
Depreciation	3,009	3,275	6,284
Lease modification	(737)	(1,017)	(1,754)
Effect of movement in exchange rates	(26)	(19)	(45)
Balance as of June 30, 2020	<u>\$ 6,098</u>	<u>7,634</u>	<u>13,732</u>
Balance as of January 1, 2019	\$ -	-	-
Depreciation	1,057	2,253	3,310
Effect of movement in exchange rates	2	-	2
Balance as of June 30, 2019	<u>\$ 1,059</u>	<u>2,253</u>	<u>3,312</u>
Carrying amounts:			
January 1, 2020	<u>\$ 99,087</u>	<u>9,858</u>	<u>108,945</u>
June 30, 2020	<u>\$ 68,542</u>	<u>10,941</u>	<u>79,483</u>
January 1, 2019	<u>\$ 62,107</u>	<u>9,241</u>	<u>71,348</u>
June 30, 2019	<u>\$ 63,884</u>	<u>8,516</u>	<u>72,400</u>

(h) Intangible assets

There were no significant additions, disposal or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2020 and 2019. Information on amortization for the period is discussed in note 12(a). Please refer to note 6(h) of the 2019 annual consolidated financial statements for other related information.

(i) Lease liabilities

The Group's lease liabilities were as follow:

	June 30, 2020	December 31, 2019	June 30, 2019
Current	<u>\$ 11,721</u>	<u>14,875</u>	<u>7,538</u>
Non-current	<u>\$ 68,912</u>	<u>95,435</u>	<u>64,960</u>

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

The amounts recognized in profit or losses were as follows:

(Continued)

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest on lease liabilities	<u>\$ 283</u>	<u>261</u>	<u>631</u>	<u>503</u>
Expenses relating to short-term leases	<u>\$ 1,051</u>	<u>1,632</u>	<u>2,161</u>	<u>2,830</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 51</u>	<u>160</u>	<u>166</u>	<u>356</u>

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

	For the six months ended June 30	
	2020	2019
Total cash outflow for leases	<u>\$ 8,983</u>	<u>6,545</u>

(j) Provisions

	June 30, 2020	December 31, 2019	June 30, 2019
Warranty	<u>\$ 12,875</u>	<u>12,125</u>	<u>31,597</u>

There were no significant changes in provisions of the Group for the six months ended June 30, 2020 and 2019, please refer to note 6 (j) of the consolidated financial report of 2019.

(k) Long-term borrowings

The Company obtained government project loans in 2020. The credit lines amount is \$960,000 thousand. As of June 30, 2020, the operating working capital \$220,000 thousand has been borrowed with the loan recognized and measured by the market rate 1.1%. The differences between the market rate and the actual rate will be recognized as deferred revenue according to the government grants.

	June 30, 2020			
	Currency	Interest rate	Due year	Amount
Unsecured bank loans	NTD	1.1	2020-2027	\$ 220,000
Less: deferred revenue				<u>4,118</u>
				<u>\$ 215,882</u>
Current				\$ 5,625
Non-current				<u>210,257</u>
Total				<u>\$ 215,882</u>
				June 30, 2020
Deferred revenue - Government grants				
Current				\$ 1,058
Non-current				<u>3,060</u>
Total				<u>\$ 4,118</u>

(Continued)

(l) Employee benefits

(ii) 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:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Operating cost	\$ 6	6	12	12
Operating expenses	9	9	18	19
Total	<u>\$ 15</u>	<u>15</u>	<u>30</u>	<u>31</u>

(iii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Operating cost	\$ 878	1,328	2,351	2,673
Operating expenses	2,164	1,572	4,469	3,141
Total	<u>\$ 3,042</u>	<u>2,900</u>	<u>6,820</u>	<u>5,814</u>

(m) Income tax

The income tax expense is estimated by the profit before tax in the interim financial period multiplied by the best estimated effective interest rate of the whole year of the management.

The Group's income tax expense is as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Current income tax expense				
Current tax expense recognized in the current period	\$ 52,078	79,041	107,750	142,916
Income tax adjustments on prior years	(2,924)	(1,898)	(2,924)	(1,898)
Income tax expense	<u>\$ 49,154</u>	<u>77,143</u>	<u>104,826</u>	<u>141,018</u>

The tax authorities have examined income tax returns of the Company through 2017.

(Continued)

(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 June 30, 2020 and 2019 and the relevant liability is referred to in note 6 (n) of the consolidated financial report of 2019.

(ii) Ordinary shares

On February 5, 2020, the board of directors resolved to issue 2,120,000 shares that per share per value is NT\$10. The issue price is NT\$250 per share. The above transaction was approved by the FSC, and the record date of capital increase is May 14, 2020.

(iii) Retained earnings

On March 27, 2020, the board of directors resolved to distribute the 2019 earnings. On May 29, 2019, the shareholder's meetings resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

	2019	2018
Dividends distributed to ordinary stockholders:		
Cash dividends	<u>\$447,282</u>	<u>1,150,422</u>

On July 31, 2020, the board of directors resolved to distribute the earnings for the six months ended June 30, 2020. The earnings were appropriated as follows:

	For the six months ended June 30, 2020
Dividends distributed to ordinary stockholders:	
Cash dividends	<u>\$134,185</u>

(o) Earnings per share

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

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Net income attributable to ordinary shareholders of the Company	<u>\$ 205,971</u>	<u>310,363</u>	<u>431,746</u>	<u>571,762</u>
Weighted average number of ordinary shares	<u>43,726</u>	<u>42,608</u>	<u>43,167</u>	<u>42,608</u>
Basic earnings per share (NTD)	<u>\$ 4.71</u>	<u>7.28</u>	<u>10.00</u>	<u>13.42</u>

(Continued)

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 205,971</u>	<u>310,363</u>	<u>431,746</u>	<u>571,762</u>
Weighted average number of ordinary shares (basic)	43,726	42,608	43,167	42,608
Effect of potential ordinary shares				
Employee's stock bonus	134	209	182	305
Weighted-average number of ordinary shares (diluted)	<u>43,860</u>	<u>42,817</u>	<u>43,349</u>	<u>42,913</u>
Diluted earnings per share (in NTD)	<u>\$ 4.70</u>	<u>7.25</u>	<u>9.96</u>	<u>13.32</u>

(p) Revenue from Contracts with Customers

(i) Disaggregation of revenue

	For the three months ended June 30, 2020		
	Taiwan	China	Total
Primary geographical markets:			
Taiwan	\$ 52,126	-	52,126
China	478,544	85,372	563,916
Others	61,076	-	61,076
	<u>\$ 591,746</u>	<u>85,372</u>	<u>677,118</u>
Primary merchandises/services lines:			
Sale of optical inspection machinery equipment	\$ 579,978	68,497	648,475
Revenue from services	11,768	16,875	28,643
	<u>\$ 591,746</u>	<u>85,372</u>	<u>677,118</u>

(Continued)

For the three months ended June 30, 2019			
	Taiwan	China	Total
Primary geographical markets:			
Taiwan	\$ 187,153	-	187,153
China	508,658	52,382	561,040
Others	31,687	-	31,687
	<u>\$ 727,498</u>	<u>52,382</u>	<u>779,880</u>

Primary merchandises/services lines:			
Sale of optical inspection machinery equipment	\$ 710,240	37,800	748,040
Revenue from services	17,258	14,582	31,840
	<u>\$ 727,498</u>	<u>52,382</u>	<u>779,880</u>

For the six months ended June 30, 2020			
	Taiwan	China	Total
Primary geographical markets:			
Taiwan	\$ 157,158	-	157,158
China	964,903	146,014	1,110,917
Others	95,274	-	95,274
	<u>\$ 1,217,335</u>	<u>146,014</u>	<u>1,363,349</u>

Primary merchandises/services lines:			
Sale of optical inspection machinery equipment	\$ 1,194,483	120,499	1,314,982
Revenue from services	22,852	25,515	48,367
	<u>\$ 1,217,335</u>	<u>146,014</u>	<u>1,363,349</u>

For the six months ended June 30, 2019			
	Taiwan	China	Total
Primary geographical markets:			
Taiwan	\$ 533,383	-	533,383
China	750,885	102,427	853,312
Others	63,957	-	63,957
	<u>\$ 1,348,225</u>	<u>102,427</u>	<u>1,450,652</u>

Primary merchandises/services lines:			
Sale of optical inspection machinery equipment	\$ 1,318,379	78,366	1,396,745
Revenue from services	29,846	24,061	53,907
	<u>\$ 1,348,225</u>	<u>102,427</u>	<u>1,450,652</u>

(ii) Contract Balance

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 15,155	13,709	11,499
Accounts receivable	1,431,303	1,189,257	1,492,904
Long-term accounts receivable	181,718	230,705	64,331
Less: allowance loss	39,263	7,421	6,366
	<u>\$ 1,588,913</u>	<u>1,426,250</u>	<u>1,562,368</u>
Contract liabilities--advance receipts	<u>\$ 18,641</u>	<u>13,594</u>	<u>84,760</u>

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

(Continued)

The contract liability is mainly due to advance receipts, wherein the Company will recognize revenue when the product is delivered to the customer. The amount of revenue recognized for the six months ended June 30, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$2,386 thousand and \$82,716 thousand, respectively.

(q) Remuneration to employees and directors

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' remuneration.

The remunerations to employees amounted to \$16,091 thousand, \$41,954 thousand, \$41,711 thousand, and \$77,213 thousand, respectively, for the three-month period ended June 30, 2020 and 2019, and for the six-month period ended June 30, 2020 and 2019. The remunerations to directors amounted to \$732 thousand, \$8,407 thousand, \$5,214 thousand, and \$15,466 thousand, respectively, for the three-month period ended June 30, 2020 and 2019, and for the six-month period ended June 30, 2020 and 2019. These amounts were calculated using the Company's net income before tax without the remunerations 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) Interest income

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Bank deposits	\$ 591	1,940	1,239	4,343
Others	11	286	186	181
Total	<u>\$ 602</u>	<u>2,226</u>	<u>1,425</u>	<u>4,524</u>

(ii) Other income

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Dividends	\$ 170	-	170	-
Others	723	96	977	185
Total	<u>\$ 893</u>	<u>96</u>	<u>1,147</u>	<u>185</u>

(Continued)

(iii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Losses on disposals of property, plant and equipment	\$ (5)	-	(6)	-
Losses(gains) on disposal of investments	26	-	(2,254)	-
Gains on lease modification	380	-	380	-
Foreign exchange gains(losses)	(32,485)	3,474	(25,431)	12,526
Others	(31)	(5)	(49)	(5)
Other gains and losses, net	<u>\$ (32,115)</u>	<u>3,469</u>	<u>(27,360)</u>	<u>12,521</u>

(iv) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest expenses	<u>\$ 584</u>	<u>261</u>	<u>932</u>	<u>503</u>

(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 June 30, 2020, December 31, 2019 and June 30, 2019 was concentrated on single customers, accounting for 25%, 13% and 16% 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 1 year	1-5 years	Over 5 years
June 30, 2020					
Non-derivative financial liabilities					
Long-term borrowings(including deferred revenue)	\$ 220,000	225,065	6,942	169,733	48,390
Notes payable	377	377	377	-	-
Accounts payable	266,429	266,429	266,429	-	-
Other payables	385,542	385,542	385,542	-	-
Dividend payable	447,282	447,282	447,282	-	-
Lease liabilities (Current and non-current)	80,633	100,197	11,721	24,625	63,851
	<u>\$ 1,400,263</u>	<u>1,424,892</u>	<u>1,118,293</u>	<u>194,358</u>	<u>112,241</u>

(Continued)

	Carrying Amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2019					
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
	\$ 912,870	936,301	817,435	35,202	83,664
June 30, 2019					
Non-derivative financial liabilities					
Notes payable	\$ 230	230	230	-	-
Accounts payable	310,657	310,657	310,657	-	-
Other payables	55,865	55,865	55,865	-	-
Dividend payable	1,150,422	1,150,422	1,150,422	-	-
Lease liabilities (Current and non-current)	72,498	94,576	7,538	15,396	71,642
	\$ 1,589,672	1,611,750	1,524,712	15,396	71,642

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

3. Market risk

(1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	Foreign currency	Exchange rate	NTD
June 30, 2020			
Financial Assets			
<u>Monetary items</u>			
USD	\$ 55,175	29.5680	1,631,417
CNY	\$ 93,627	4.1810	391,456
Financial liabilities			
<u>Monetary items</u>			
USD	\$ 2,006	29.5680	59,306
CNY	\$ 11,297	4.1810	47,231
December 31, 2019			
Financial Assets			
<u>Monetary items</u>			
USD	\$ 37,833	30.0360	1,136,356
CNY	\$ 71,779	4.3100	309,366
Financial liabilities			
<u>Monetary items</u>			
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>	
June 30, 2019				
Financial Assets				
<u>Monetary items</u>				
USD	\$	38,105	31.0680	1,183,855
JPY	\$	5,518	0.2889	1,594
CNY	\$	49,343	4.5220	223,130
Financial liabilities				
<u>Monetary items</u>				
USD	\$	3,147	31.0680	97,758
CNY	\$	7,831	4.5220	35,412

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. On June 30, 2020 and 2019 when the NT dollar depreciated or appreciated by 3% compared to the US dollar, JPY and CNY exchange rate, and all other factors remained unchanged; the net profit after tax will increase or decrease by \$45,992 thousand and \$30,610 thousand respectively for the six months ended June 30, 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 for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019 were \$(32,485) thousand, \$3,474 thousand, \$(25,431) thousand and \$12,526 thousand, respectively.

(2) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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 \$8,324 thousand and \$9,090 thousand, respectively for the six months ended June 30, 2020 and 2019.

(Continued)

4. Fair value

(1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

		June 30, 2020			
		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	\$ 10,744	-	-	10,744	10,744
Financial assets at amortized cost					
Cash and cash equivalents	1,665,772	-	-	-	-
Accounts, notes and long term receivables	1,588,913	-	-	-	-
Refundable deposits	10,886	-	-	-	-
Other non-current assets	8,987	-	-	-	-
Subtotal	3,274,558	-	-	-	-
Total	<u>\$ 3,285,302</u>	<u>-</u>	<u>-</u>	<u>10,744</u>	<u>10,744</u>
Financial liabilities measured at amortized cost					
Long-term borrowings (including deferred revenue)	\$ 220,000	-	-	-	-
Notes payable	\$ 377	-	-	-	-
Accounts payable	266,429	-	-	-	-
Other payables	385,542	-	-	-	-
Dividend payable	447,282	-	-	-	-
Lease liabilities (including non-current)	80,633	-	-	-	-
Total	<u>\$ 1,400,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

December 31, 2019					
	Carrying amounts	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 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	\$ 2,203,001	-	-	9,644	9,644
Financial liabilities at amortized cost					
Notes payable	\$ 993	-	-	-	-
Accounts payable	381,467	-	-	-	-
Other payables	420,100	-	-	-	-
Lease liabilities (including non-current)	110,310	-	-	-	-
Total	\$ 912,870	-	-	-	-
June 30, 2019					
	Carrying amounts	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 at amortized cost					
Cash and cash equivalents	1,818,792	-	-	-	-
Accounts, notes and long term receivables	1,562,368	-	-	-	-
Refundable deposits	9,834	-	-	-	-
Other non-current assets	3,190	-	-	-	-
Subtotal	3,394,184	-	-	-	-
Total	\$ 3,403,828	-	-	9,644	9,644
Financial liabilities at amortized cost					
Notes payable	\$ 230	-	-	-	-
Accounts payable	310,657	-	-	-	-
Other payables	55,865	-	-	-	-
Dividend payable	1,150,422	-	-	-	-
Lease liabilities (including non-current)	72,498	-	-	-	-
Total	\$ 1,589,672	-	-	-	-

(Continued)

(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 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 level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2020	\$ 9,644
Purchase	1,100
Balance at June 30, 2020	<u>\$ 10,744</u>
Balance at June 30, 2019 (Balance at January 1, 2019)	<u>\$ 9,644</u>

(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>P/B multiplier (June 30, 2020, December 31, 2019 and June 30, 2019 were 2.6, 2.6 and 3.79 respectively)</p> <p>P/E multiplier (June 30, 2020, December 31, 2019 and June 30, 2019 were 11.77, 11.77 and 12.47 respectively)</p> <p>Discount for Lack of Market ability (June 30, 2020, December 31, 2019 and June 30, 2020 were 30%, 30% and 20% respectively)</p>	<p>Higher P/B multiplier and P/E multiplier will cause an increase in the fair value</p> <p>Higher discount for Lack of Market ability will cause a decrease in fair value.</p>

(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:

		Other comprehensive income		
		Input	Assumptions	
				Favorable Unfavorable
June 30, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	4,074	(4,074)
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)
June 30, 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 change in fair value, and the fair value is based on a variety of un-observable inputs calculated using a valuation technique.

(Continued)

(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. For further information, please refer to note 6 (u) of the consolidated financial report of 2019.

The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Liabilities	\$ 1,561,871	\$ 1,001,173	2,312,658
Less: cash and cash equivalents	1,665,772	741,899	1,818,792
Net liabilities	<u>\$ (103,901)</u>	<u>\$ 259,274</u>	<u>493,866</u>
Total equity	<u>\$ 2,534,558</u>	<u>\$ 2,042,818</u>	<u>1,738,086</u>
Debt-to-capital ratio	<u>- %</u>	<u>12.69%</u>	<u>28.41%</u>

As of June 30, 2020, there was no change in the Group's approach of capital management.

(v) Reconciliation of liabilities arising from financing activities

The Group's liability adjustment associated with financing activities for the six months ended June 30, 2020 were as follows:

	January 1, 2020	Cash flows	Non-cash adjustments				Interest expenses	June 30, 2020
			Increase in right-of-use assets	Lease Modification	Disposal of Subsidiary	Foreign exchange movement		
Long-term borrowings	\$ -	200,000	-	-	-	-	-	200,000
Lease liabilities	110,310	(6,656)	6,897	(24,120)	(6,230)	(199)	631	80,633
Total liabilities from financing activities	<u>\$ 110,310</u>	<u>213,344</u>	<u>6,897</u>	<u>(24,120)</u>	<u>(6,230)</u>	<u>(199)</u>	<u>631</u>	<u>300,633</u>

	January 1, 2019	Cash flows	Non-cash adjustments				Interest expenses	June 30, 2019
			Increase in right-of-use assets	Lease Modification	Foreign exchange movement	Interest expenses		
Lease liabilities	\$ 71,348	(3,715)	4,327	-	35	503	72,498	
Total liabilities from financing activities	<u>\$ 71,348</u>	<u>(3,715)</u>	<u>4,327</u>	<u>-</u>	<u>35</u>	<u>503</u>	<u>72,498</u>	

(7) Related-party Transactions

Compensation of key management personnel:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 8,628	19,991	23,349	35,122
Post-employment benefits	81	57	162	114
	<u>\$ 8,709</u>	<u>20,048</u>	<u>23,511</u>	<u>35,236</u>

(Continued)

(8) Pledge assets

The carrying value of pledged assets were as follows:

Pledged assets	Object asset	June 30, 2020	December 31, 2019	June 30, 2019
Other non-current assets:				
Time deposits	Guarantee for customs	\$ 1,511	1,509	1,507
Time deposits	Guarantee for the Hsinchu Science Park Bureau	4,460	5,892	1,683
Time deposits	Guarantee for Sales agreement	3,016	-	-
		\$ 8,987	7,401	3,190

(9) Commitments and contingencies: None**(10) Losses due to major disasters: None.****(11) Subsequent events: None****(12) Others**

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

Function	For the three months ended June 30 2020			For the three months ended June 30 2019		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Item						
Employee benefits						
Salaries	22,942	56,891	79,833	29,770	89,219	118,989
Labor and health insurance	2,177	4,358	6,535	2,440	2,959	5,399
Pension	884	2,173	3,057	1,334	1,581	2,915
Directors' remuneration	-	798	798	-	8,909	8,909
Other employee benefits	1,213	5,232	6,445	3,295	5,508	8,803
Depreciation	3,489	4,934	8,423	1,616	2,739	4,355
Amortization	-	27	27	-	27	27

Function	For the six months ended June 30 2020			For the six months ended June 30 2019		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Item						
Employee benefits						
Salaries	50,980	130,886	181,866	57,265	162,146	219,411
Labor and health insurance	4,576	8,344	12,920	4,860	5,750	10,610
Pension	2,363	4,487	6,850	2,685	3,160	5,845
Directors' remuneration	-	5,499	5,499	-	16,076	16,076
Other employee benefits	5,867	13,600	19,467	9,293	12,654	21,947
Depreciation	6,895	9,650	16,545	3,281	4,990	8,271
Amortization	-	55	55	-	55	55

(b) Seasonal of operations:

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

(Continued)

(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:

1. Loans to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Securities held as of June 30, 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	June 30, 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	
SISSCA Co., Ltd.	FOR WIN TECH CO., LTD.	-	Financial assets at fair value through profit or loss	110,000	1,100	10 %	1,100	

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock : None.
5. Acquisitions of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
7. Related-party transaction for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:
8. Receivable from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital:

Company Name	Related Party	Nature of relationships	Balance as June 30, 2020	Turnover rate	Overdue		Amount Received in Subsequent	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Machvision (Dongguan) Inc.	Subsidiaries	376,878	0.56	160,643	Depends on the end customer's credit period	7,096 (As of July 31, 2020)	-

9. Trading in derivative instruments: None.

(Continued)

10. Business relationships and significant intercompany transactions:

No. Note 1	Name of company	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	The Company	Machvision (Dongguan) Inc.	1	Operating revenue	95,411	Depends on the Group overall profit allocation	7.00%
0	The Company	Sigold Optics. Inc.	1	Operating revenue	30,038	Depends on the Group overall profit allocation	2.20%
0	The Company	Machvision (Dongguan) Inc.	1	Accounts receivable – related parties (including long-term accounts receivable)	376,878	Depends on the end customer's credit period	9.20%
0	The Company	Sigold Optics. Inc.	1	Accounts receivable – related parties (including long-term accounts receivable)	66,764	Depends on the end customer's credit period	1.63%
0	The Company	Machvision (Dongguan) Inc.	1	Other payables – related parties	62,044	Dependent on capital budgeting	1.51%

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 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:

The following is the information on investees for the six months ended June 30, 2020 (excluding information on 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
				June 30, 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%	(36,963)	(19,231)	(19,231)	1, 2
The Company	Machvision Holding (Samoa) Limited	Samoa	Investment	22,992	22,992	1,600,000	100.00%	26,954	(2,907)	(2,907)	1, 2
The Company	Autovision Technology Inc.	Taiwan	Manufacturing of computer peripheral products	9,000	9,000	900,000	45.00%	9,567	(1,698)	(764)	2
The Company	Sigold Optics Inc.	Taiwan	Manufacturing of machinery equipment	49,470	49,470	6,316,330	49.47%	72,262	13,734	6,877	2
The Company	Machvision Korea Co., Ltd.	Korea	Maintaining and trading of machinery equipment	21,542	21,542	10,000	100.00%	10,067	(3,335)	(3,335)	2
The Company	ChipAI Co., LTD.	Taiwan	Manufacturing of computer peripheral products	18,000	18,000	1,800,000	90.00%	10,499	(3,108)	(2,798)	2
The Company	MiM Tech. Inc.	Taiwan	Manufacturing of computer peripheral products	24,244	24,244	836,000	40.98%	23,214	(294)	(120)	2

(Continued)

Name of Investor	Name of investee	Address	Scope of business	Original Cost		Ending balance			Net Income of Investee	Investment income (Losses) (Note 3)	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
The Company	RedPay Co., Ltd.	Taiwan	Manufacturing of computer peripheral products	10,000	10,000	500,000	50.00%	4,715	(5,388)	(2,694)	Note 2
Sigold Optics Inc.	SISSCA Co., Ltd.	Taiwan	Manufacturing of computer peripheral products	7,700	-	770,000	70.00%	7,312	(555)	(388)	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 investments in China

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

Units: NT\$ thousand

Name of investment in 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	(2)i	62,350	-	-	62,350	(19,231)	100%	(19,231)	(31,534)	-
Dongguan muxin intelligent equipment Co., Ltd	Maintaining and trading of machinery equipment	4,220	(4)i	-	-	-	-	(1,045)	51%	(533)	1,609	-

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 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	62,350	110,642 (Note 2)	1,455,070 (Note 1)

(Continued)

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

Note 2: Since the investment amount in Guandong 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) 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 six months ended June 30, 2020.

(d) Information of major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Nan Shan Life Insurance Company, Ltd.	3,237,812	7.23%

(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 June 30, 2020				
Revenue:				
Revenue from external customers	\$ 591,746	85,372	-	677,118
Inter-segment revenue	89,729	-	(89,729)	-
Total revenue	\$ 681,475	85,372	(89,729)	677,118
Reportable segment revenue or loss	\$ 302,221	(15,554)	-	286,667
For the three months ended June 30, 2019				
Revenue:				
Revenue from external customers	\$ 730,635	49,245	-	779,880
Inter-segment revenue or loss	66,807	3,137	(69,944)	-
Total revenue	\$ 797,442	52,382	(69,944)	779,880
Reportable segment revenue or loss	\$ 410,921	(17,106)	-	393,815

(Continued)

			Adjustment and	
	Taiwan	China	Elimination	Total
For the six months ended June 30, 2020				
Revenue:				
Revenue from external customers	\$ 1,217,335	146,014	-	1,363,349
Inter-segment revenue	152,366	-	(152,366)	-
Total revenue	\$ 1,369,701	146,014	(152,366)	1,363,349
Reportable segment revenue or loss	\$ 584,367	(19,842)	-	564,525
For the six months ended June 30, 2019				
Revenue:				
Revenue from external customers	\$ 1,351,362	99,290	-	1,450,652
Inter-segment revenue	107,308	3,137	(110,445)	-
Total revenue	\$ 1,458,670	102,427	(110,445)	1,450,652
Reportable segment revenue or loss	\$ 741,594	(30,996)	-	710,598

For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the total revenue of the reportable segment should exclude the inter-segment revenue of \$89,729 thousand, \$69,944 thousand, \$152,366 thousand and \$110,445 thousand, respectively.

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