

Stock Code:3563

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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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.

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, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, 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, 2022 and 2021; the total amount of assets was \$771,021 thousand and \$568,722 thousand respectively, accounting for 17% and 14% of the total consolidated assets respectively; the total liabilities were \$97,280 thousand and \$ 62,433 thousand respectively, accounting for 5% and 4% of the total consolidated liabilities respectively; the consolidated profits and losses for the three months ended March 31, 2022 and 2021 were \$676 thousand and \$(23,727) thousand respectively, accounting for 0% and (11)% 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, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 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

Taipei, Taiwan (Republic of China)

May 4, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021
MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 2,020,651	44	1,976,971	44	1,727,919	43
Notes receivable (note 6(b) and (o))	39,369	1	36,838	1	19,347	1
Accounts receivable, net (note 6(b) and (o))	1,338,862	30	1,334,010	30	1,258,349	31
Inventories (note 6(c))	367,628	8	399,459	9	384,762	10
Prepayments	8,555	-	9,573	-	9,035	-
Other current assets	<u>9,621</u>	<u>-</u>	<u>2,509</u>	<u>-</u>	<u>10,325</u>	<u>-</u>
Total current assets	<u>3,784,686</u>	<u>83</u>	<u>3,759,360</u>	<u>84</u>	<u>3,409,737</u>	<u>85</u>
Non-current assets:						
Financial assets at fair value through profit or loss—non current (note 6(d))	15,744	-	15,744	-	10,744	-
Property, plant and equipment (note 6(e))	261,574	6	267,020	6	267,381	7
Right-of-use assets (note 6(f))	259,721	6	263,364	6	73,428	2
Intangible assets(note (g))	-	-	-	-	55	-
Deferred income tax assets	46,993	1	46,993	1	57,564	2
Refundable deposits	21,233	1	12,923	-	11,620	-
Long-term receivables (note 6(b) and (o))	147,717	3	132,127	3	157,991	4
Other non-current assets (note (h))	<u>11,551</u>	<u>-</u>	<u>11,551</u>	<u>-</u>	<u>16,340</u>	<u>-</u>
Total non-current assets	<u>764,533</u>	<u>17</u>	<u>749,722</u>	<u>16</u>	<u>595,123</u>	<u>15</u>
Total assets	<u>\$ 4,549,219</u>	<u>100</u>	<u>4,509,082</u>	<u>100</u>	<u>4,004,860</u>	<u>100</u>
Liabilities and Equity						
Current liabilities:						
Current contract liabilities (note 6(o))	\$ 51,203	1	93,904	2	20,537	1
Notes payable	807	-	116	-	1,115	-
Accounts payable	255,491	6	302,585	7	293,116	7
Other payables (note 6(p))	351,186	8	352,386	8	318,960	8
Dividend payable (note 6(m))	447,282	10	89,457	2	402,554	10
Current tax liabilities	239,278	5	196,881	4	222,262	6
Provisions (note 6(i))	16,526	-	16,556	-	14,502	-
Lease Liabilities (note 6(h))	16,194	-	16,638	-	10,973	-
Deferred revenue (note 6(j))	957	-	990	-	1,074	-
Current portion of long-term borrowings (note 6(j))	29,167	1	27,500	1	22,500	1
Other current liabilities	<u>21,799</u>	<u>1</u>	<u>17,218</u>	<u>-</u>	<u>7,508</u>	<u>-</u>
Total current liabilities	<u>1,429,890</u>	<u>32</u>	<u>1,114,231</u>	<u>24</u>	<u>1,315,101</u>	<u>33</u>
Non-Current liabilities:						
Long-term borrowings (note 6(j))	166,155	4	173,190	4	194,247	5
Lease liabilities – non-current (note 6(h))	247,558	5	250,300	6	63,933	2
Long-term deferred revenue (note 6(j))	1,221	-	1,445	-	2,179	-
Net defined benefit liabilities – non-current	<u>11,692</u>	<u>-</u>	<u>11,692</u>	<u>-</u>	<u>11,286</u>	<u>-</u>
Total non-current liabilities	<u>426,626</u>	<u>9</u>	<u>436,627</u>	<u>10</u>	<u>271,645</u>	<u>7</u>
Total liabilities	<u>1,856,516</u>	<u>41</u>	<u>1,550,858</u>	<u>34</u>	<u>1,586,746</u>	<u>40</u>
Equity attributable to shareholders of the Company (note 6(m)):						
Share capital	<u>447,282</u>	<u>10</u>	<u>447,282</u>	<u>10</u>	<u>447,282</u>	<u>11</u>
Capital surplus:						
Capital surplus - additional paid-in capital arising from ordinary share	121,003	3	165,731	4	165,731	4
Capital surplus - number of changes in recognition of ownership rights and interests of subsidiaries	-	-	-	-	4	-
Capital surplus, others	<u>31</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>28</u>	<u>-</u>
	<u>121,034</u>	<u>3</u>	<u>165,759</u>	<u>4</u>	<u>165,763</u>	<u>4</u>
Retained earnings:						
Legal reserve	501,410	11	501,410	11	438,263	11
Special reserve	3,694	-	3,694	-	3,791	-
Unappropriated retained earnings	<u>1,517,454</u>	<u>33</u>	<u>1,738,098</u>	<u>39</u>	<u>1,279,611</u>	<u>32</u>
	<u>2,022,558</u>	<u>44</u>	<u>2,243,202</u>	<u>50</u>	<u>1,721,665</u>	<u>43</u>
Other equity interest:						
Exchange differences on translation of foreign financial statements	<u>(3,690)</u>	<u>-</u>	<u>(4,198)</u>	<u>-</u>	<u>(3,705)</u>	<u>-</u>
Equity attributable to the parent Company	<u>2,587,184</u>	<u>57</u>	<u>2,852,045</u>	<u>64</u>	<u>2,331,005</u>	<u>58</u>
Non-controlling interests	<u>105,519</u>	<u>2</u>	<u>106,179</u>	<u>2</u>	<u>87,109</u>	<u>2</u>
Total Equity	<u>2,692,703</u>	<u>59</u>	<u>2,958,224</u>	<u>66</u>	<u>2,418,114</u>	<u>60</u>
Total liabilities and equity	<u>\$ 4,549,219</u>	<u>100</u>	<u>4,509,082</u>	<u>100</u>	<u>4,004,860</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In Thousands of New Taiwan Dollars, Except Earnings Per Common Share)

	<u>For the three months ended March 31</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenue (notes 6(o))	\$ 611,369	100	688,633	100
Operating costs (notes 6(c), (e), (f), (h), (k), (p) and 7)	254,262	42	252,039	37
Gross profit from operations	357,107	58	436,594	63
Operating expenses (notes 6(b), (e), (f), (h), (k), (p) and 7):				
Selling expenses	68,995	11	63,036	9
Administrative expenses	29,693	5	27,424	4
Research and development expenses	69,202	11	77,106	11
Expected credit impairment loss	5,169	1	875	-
Total operating expenses	173,059	28	168,441	24
Net operating income	184,048	30	268,153	39
Non-operating income and expenses (note 6(h) and (q)):				
Interest income	652	-	581	-
Other income	796	-	881	-
Other gains and losses	41,328	7	(3,630)	(1)
Financial costs	(1,463)	-	(814)	-
Total non-operating income and expenses	41,313	7	(2,982)	(1)
Pre-tax net profit of continued operations	225,361	37	265,171	38
Less: Income tax expenses (note 6(l))	44,194	7	52,049	7
Profit for the period	181,167	30	213,122	31
Other comprehensive income:				
Items that may be subsequently reclassified into profit or loss				
Exchange Differences on Translation of Foreign Financial Statements	591	-	(189)	-
Less: Income tax related to items that may be reclassified	-	-	-	-
Total of items that may be subsequently reclassified into profit or loss	591	-	(189)	-
Other comprehensive income for the period, net of tax	591	-	(189)	-
Total comprehensive income for the period	\$ 181,758	30	212,933	31
Profit attributable to:				
Owners of the parent company	\$ 181,910	30	215,038	31
Non-controlling interests	(743)	-	(1,916)	-
	\$ 181,167	30	213,122	31
Comprehensive income attributable to:				
Owners of the parent company	\$ 182,418	30	214,847	31
Non-controlling interests	(660)	-	(1,914)	-
	\$ 181,758	30	212,933	31
Earnings per share(note 6(n)):				
Basic earnings per share (Unit: New Taiwan dollars)	\$ 4.07		4.81	
Diluted earnings per share (Unit: New Taiwan dollars)	\$ 4.04		4.79	

See accompanying notes to consolidated financial statements.

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

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest			
							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, 2021	\$ 447,282	568,312	428,263	3,791	1,064,573	1,506,627	(3,514)	2,518,707	89,023	2,607,730
Cash dividends from capital surplus	-	(402,554)	-	-	-	-	-	(402,554)	-	(402,554)
Othe changes from capital surplus	-	5	-	-	-	-	-	5	-	5
Profit for the period	-	-	-	-	215,038	215,038	-	215,038	(1,916)	213,122
Other comprehensive income for the period	-	-	-	-	-	-	(191)	(191)	2	(189)
Total comprehensive income for the period	-	-	-	-	215,038	215,038	(191)	214,847	(1,914)	212,933
Balance at March 31, 2021	\$ 447,282	165,763	428,263	3,791	1,279,611	1,721,665	(3,705)	2,331,005	87,109	2,418,114
Balance at January 1, 2022	\$ 447,282	165,759	501,410	3,694	1,738,098	2,243,202	(4,198)	2,852,045	106,179	2,958,224
Appropriation and distribution of retained earnings:										
Cash dividends of Common Stock	-	-	-	-	(402,554)	(402,554)	-	(402,554)	-	(402,554)
Cash dividends by Capital surplus	-	(44,728)	-	-	-	-	-	(44,728)	-	(44,728)
Other changes in capital surplus	-	3	-	-	-	-	-	3	-	3
Profit for the period	-	-	-	-	181,910	181,910	-	18,910	(743)	181,167
Other comprehensive income for the period	-	-	-	-	-	-	508	508	83	591
Total comprehensive income for the period	-	-	-	-	181,910	181,910	508	182,418	(660)	181,758
Balance at March 31, 2022	\$ 447,282	121,034	501,410	3,694	1,517,454	2,022,558	(3,690)	2,587,184	105,519	2,692,703

See accompanying notes to consolidated financial statements.

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

MACHVISION INC. CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands of New Taiwan Dollars)

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Profit before tax	\$ 225,361	265,171
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	10,682	9,048
Amortization expense	-	28
Expected credit impairment loss	5,169	875
Interest expense	1,463	814
Interest income	(652)	(581)
Loss on disposal of property, plant and equipment	33	19
Lease modification gains	-	(11)
Total adjustments to reconcile profit	<u>16,695</u>	<u>10,192</u>
Changes in operating assets and liabilities		
Changes in operating assets, net		
Notes receivable	(2,531)	(4,063)
Accounts receivable and long-term accounts receivable	(25,677)	(165,888)
Inventories	31,831	(21,293)
Prepayments	1,018	(1,792)
Other current assets	<u>(7,112)</u>	<u>199</u>
Total changes in operating assets, net	<u>(2,471)</u>	<u>(192,837)</u>
Changes in operating liabilities, net		
Contract liabilities	(42,701)	(11,348)
Notes payable	691	899
Accounts payable	(47,094)	47,219
Other payables	(1,200)	(204)
Provisions liabilities	(30)	1,060
Other current liabilities	<u>4,581</u>	<u>(2,174)</u>
Total changes in operating liabilities, net	<u>(85,753)</u>	<u>35,452</u>
Total changes in operating assets and liabilities, net	<u>(88,224)</u>	<u>(157,385)</u>
Total adjustments	<u>(71,529)</u>	<u>(147,193)</u>
Cash inflows generated from operations	153,832	117,978
Interest received	718	607
Income taxes	<u>(1,797)</u>	<u>(1,447)</u>
Net cash flow from operating activities	<u>152,753</u>	<u>117,138</u>
Cash flow used in investing activities		
Acquisition of property, plant and equipment	(480)	(2,262)
Decrease (increase) in guarantee deposits paid	(8,310)	252
Increase in other non-current assets	-	(44)
Net cash outflow used in investing activities	<u>(8,790)</u>	<u>(2,054)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	(5,625)	-
Payment of lease liabilities	(284)	(1,600)
Cash dividends paid	(89,457)	-
Interest paid	(4,473)	(1,814)
Surplus not paid due to overdue	<u>5</u>	<u>5</u>
Net cash outflow used in financing activities	<u>(99,836)</u>	<u>(3,409)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(447)</u>	<u>(363)</u>
Increase in cash and cash equivalents for the period	<u>43,680</u>	<u>111,312</u>
Cash and cash equivalents, beginning of the period	<u>1,976,971</u>	<u>1,616,607</u>
Cash and cash equivalents, end of the period	<u>\$ 2,020,651</u>	<u>1,727,919</u>

See accompanying notes to consolidated financial statements.

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, 2022 and 2021

(In Thousands of New Taiwan Dollars)

(1) Company history

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, 2022 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, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IAS 16 "Property, Plant and Equipment — Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(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 2021, related information please refer to the note 4 from consolidated financial statements of 2021.

(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	<u>Percentage of ownership</u>			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
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%	90.00%	
The Company	Machvision Korea Co., Ltd.	Maintaining and trading of machinery equipment	100.00%	100.00%	100.00%	
The Company	Avountes Inc.	Electronic Information Supply Services	45.00%	45.00%	45.00%	3&4
The Company	SISSCA Co.,Ltd	Manufacturing of computer peripheral products	36.30%	36.30%	-	5
Machvision Inc.	Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	100.00%	100.00%	100.00%	
Machvision (Dongguan) Inc.	Dongguan muxin intelligent equipment Co., Ltd	Maintaining and trading of machinery equipment	51.00%	51.00%	51.00%	
Sigold Optics Inc.	SISSCA Co.,Ltd.	Manufacturing of computer peripheral products	43.30%	43.30%	70.00%	5

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 less than 50% of the ownership of Avountes Inc. However, it remains to be a subsidiary since the Company retains control of its financial and operational policy decision.

Note 4: In order to integrate the group resources, reduce costs and improve efficiency, Avountes Inc. issued 1,000,000 no-par shares for the acquisition of shares issued by RedPay Co., Ltd., at share exchange ratio of 1:1, with March 5, 2021 set as the reference date of the merger. All relevant statutory registration procedures have been completed on April 15, 2021.

Note 5: On July 30, 2021, the board of directors of Sissca Co., Ltd. approved a resolution for a capital increase by cash amounting to \$89,000 thousand, resulting in the increase of the investments of the Company and Sigold Optics Inc. by \$36,295 thousand and \$35,600 thousand, respectively. Since the Group did not acquire these new common shares proportionally, there was a change in the Group's investment percentage and equity in net assets, wherein the difference was adjusted by crediting the capital surplus in the amount of \$4 thousand and the retained earnings amounting to \$1,316 thousand.

Note 6: The subsidiaries are not significant subsidiaries, their financial statements have not been reviewed.

(c) 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.

(d) 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 2021.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 1,812	1,675	1,738
Saving deposits	1,470,659	1,062,453	848,514
Foreign currency deposits	104,787	132,055	90,344
Time deposits	443,393	780,788	787,323
Cash and cash equivalents per statements of cash flow	<u><u>\$ 2,020,651</u></u>	<u><u>1,976,971</u></u>	<u><u>1,727,919</u></u>

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

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 39,369	36,838	19,347
Accounts receivable	1,379,710	1,369,472	1,331,706
Long-term accounts receivable	147,885	132,229	158,258
Less: allowance for impairment	40,848	35,462	73,357
unrealized interest income	168	102	267
	<u>\$ 1,525,948</u>	<u>1,502,975</u>	<u>1,435,687</u>

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:

	March 31, 2022		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 1,187,866	0.0073%	87
1 to 90 days past due	239,776	0.4104%	984
91 to 180 days past due	51,082	1.8637%	952
181 to 270 days past due	45,475	8.3057%	3,777
271 to 365 days past due	14,605	48.3122%	7,056
Past due over 365 days	27,992	100.0000%	27,992
	<u>\$ 1,566,796</u>		<u>40,848</u>

	December 31, 2021		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 1,205,654	0.0071%	85
1 to 90 days past due	130,954	0.3856%	505
91 to 180 days past due	144,831	1.9402%	2,810
181 to 270 days past due	18,580	5.4841%	1,019
271 to 365 days past due	14,503	49.1485%	7,128
Past due over 365 days	23,915	100.0000%	23,915
	<u>\$ 1,538,437</u>		<u>35,462</u>

	March 31, 2021		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 1,208,597	0.0041%	50
1 to 90 days past due	108,427	0.2887%	313
91 to 180 days past due	76,260	1.8292%	1,395
181 to 270 days past due	35,411	6.7624%	2,395
271 to 365 days past due	22,130	49.6390%	10,985
Past due over 365 days	58,219	100.0000%	58,219
	<u>\$ 1,509,044</u>		<u>73,357</u>

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

	For the three months ended March 31	
	2022	2021
Balance at the beginning of the period	\$ 35,462	72,441
Impairment losses recognized	5,169	875
Foreign exchange gains	217	41
Balance at the end of the period	<u>\$ 40,848</u>	<u>73,357</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:

	March 31, 2022	December 31, 2021	March 31, 2021
Merchandise and finished goods	\$ 35,338	70,885	68,616
Work in process	118,425	127,743	86,477
Raw material	213,856	200,760	229,669
Inventories in transit	9	71	-
	<u>\$ 367,628</u>	<u>399,459</u>	<u>384,762</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:

	For the three months ended March 31	
	2022	2021
Loss on decline in market value of inventory	\$ 4,436	6,892

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

	March 31, 2022	December 31, 2021	March 31, 2021
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	6,100	6,100	1,100
Total	<u>\$ 15,744</u>	<u>15,744</u>	<u>10,744</u>

(e) Property, plant and equipment

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

	Buildings	Machinery equipment	Other equipment	Construction in progress	Total
Cost:					
Balance at January 1, 2022	\$ 305,714	10,753	29,633	11,640	357,740
Additions	-	-	480	-	480
Disposals	-	-	(198)	-	(198)
Effect of movement in exchange rates	1,533	4	167	-	1,704
Balance at March 31, 2022	<u>\$ 307,247</u>	<u>10,757</u>	<u>30,082</u>	<u>11,640</u>	<u>359,726</u>
Balance at January 1, 2021	\$ 305,182	6,265	27,032	834	339,313
Additions	165	85	1,901	111	2,262
Reclassification	-	-	(45)	-	(45)
Disposals	-	-	(120)	-	(120)
Effect of movement in exchange rates	229	-	14	-	243
Balance at March 31, 2021	<u>\$ 305,576</u>	<u>6,350</u>	<u>28,782</u>	<u>945</u>	<u>341,653</u>
Depreciation:					
Balance at January 1, 2022	\$ 75,422	3,742	11,556	-	90,720
Depreciation	4,510	752	1,669	-	6,931
Disposals	-	-	(165)	-	(165)
Effect of movement in exchange rates	610	1	55	-	666
Balance at March 31, 2022	<u>\$ 80,542</u>	<u>4,495</u>	<u>13,115</u>	<u>-</u>	<u>98,152</u>
Balance at January 1, 2021	\$ 57,416	1,778	8,839	-	68,033
Depreciation	4,492	370	1,408	-	6,270
Disposals	-	-	(101)	-	(101)
Effect of movement in exchange rates	68	(1)	3	-	(70)
Balance at March 31, 2021	<u>\$ 61,976</u>	<u>2,147</u>	<u>10,149</u>	<u>-</u>	<u>74,272</u>
Carrying amounts:					
January 1, 2022	\$ 230,292	7,011	18,077	11,640	267,020
March 31, 2022	<u>\$ 226,705</u>	<u>6,262</u>	<u>16,967</u>	<u>11,640</u>	<u>261,574</u>
January 1, 2021	\$ 247,766	4,487	18,193	834	271,280
March 31, 2021	<u>\$ 243,600</u>	<u>4,203</u>	<u>18,633</u>	<u>945</u>	<u>267,381</u>

(f) The Right-of-use assets

The Group leases assets including land and buildings, and transportation equipment. Information about leases for which the Group as a lessee is presented below:

	Land and buildings	Other equipment	Total
Cost:			
Balance at January 1, 2022	\$ 270,522	24,103	294,625
Effect of changes in foreign exchange rates	164	-	164
Balance at March 31, 2022	\$ 270,686	24,103	294,789
Balance at January 1, 2021	\$ 73,924	22,375	96,299
Lease modification	-	(1,590)	(1,590)
Effect of changes in foreign exchange rates	(94)	(49)	(143)
Balance at December 31, 2021	\$ 73,830	20,736	94,566
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ 15,262	15,999	31,261
Depreciation	2,422	1,329	3,751
Effect of changes in foreign exchange rates	56	-	56
Balance at March 31, 2022	\$ 17,740	17,328	35,068
Balance at January 1, 2021	\$ 8,471	10,815	19,286
Depreciation	1,244	1,534	2,778
Lease modification	-	(862)	(862)
Effect of changes in foreign exchange rates	(37)	(27)	(64)
Balance at March 31, 2021	\$ 9,678	11,460	21,138
Carrying amounts:			
January 1, 2022	\$ 255,260	8,104	263,364
March 31, 2022	\$ 252,946	6,775	259,721
January 1, 2021	\$ 65,453	11,560	77,013
March 31, 2021	\$ 64,152	9,276	73,428

(g) 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, 2022 and 2021. Information on amortization for the period is discussed in note 12(a). Please refer to note 6(h) of the 2021 annual consolidated financial statements for other related information.

(h) Lease liabilities

The Group's lease liabilities were as follow:

	March 31, 2022	December 31, 2021	March 31, 2021
Current	<u>\$ 16,194</u>	<u>16,638</u>	<u>10,973</u>
Non-current	<u>\$ 247,558</u>	<u>250,300</u>	<u>63,933</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2022	2021
Interest on lease liabilities	<u>\$ 939</u>	<u>250</u>
Expenses relating to short-term leases	<u>\$ 2,274</u>	<u>2,986</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 17</u>	<u>61</u>

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

	For the three months ended March 31	
	2022	For the three months ended March 31, 2021
Total cash outflow for leases	<u>\$ 6,524</u>	<u>5,897</u>

(i) Provisions

	March 31, 2022	December 31, 2021	March 31, 2021
Warranty	<u>\$ 16,526</u>	<u>16,556</u>	<u>14,502</u>

There is no significant change in the liability reserve of the Group for the three months ended March 31, 2022 and 2021. For information, please refer to Note 6 (j) of the consolidated financial report of 2021.

(j) Long-term borrowings

The Company applied for a loan facility based on the "Action Plan for Accelerated Investment by Domestic Corporations", of which, \$220,000 has been used by the Group as working capital for its business operation. The borrowing was measured at the market interest rate, and the difference between the market interest rate and the actual interest rate was recognized as deferred income.

March 31, 2022			
Currency	Interest rate	Due year	Amount
Unsecured bank loans	NTD	1.05~1.1	2022-2027 \$ 197,500
Less: deferred revenue			<u>2,178</u>
			<u>\$ 195,322</u>
Current			\$ 29,167
Non-current			<u>166,155</u>
Total			<u>\$ 195,322</u>
December 31, 2021			
Currency	Interest rate	Due year	Amount
Unsecured bank loans	NTD	1.05~1.1	2022-2027 \$ 203,125
Less: deferred revenue			<u>2,435</u>
			<u>\$ 200,690</u>
Current			\$ 27,500
Non-current			<u>173,190</u>
Total			<u>\$ 200,690</u>
March 31, 2021			
Currency	Interest rate	Due year	Amount
Unsecured bank loans	NTD	1.05~1.1	2022-2027 \$ 220,000
Less: deferred revenue			<u>3,253</u>
			<u>\$ 216,747</u>
Current			\$ 22,500
Non-current			<u>194,247</u>
Total			<u>\$ 216,747</u>
Deferred income — Government grants:			
	March 31, 2022	December 31, 2021	March 31, 2021
Current	\$ 957	990	1,074
Non-current	<u>1,221</u>	<u>1,445</u>	<u>2,179</u>
Total	<u>\$ 2,178</u>	<u>2,435</u>	<u>3,253</u>

(k) 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, 2021 and 2020.

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

	For the three months ended March 31	
	2022	2021
Operating costs	\$ 6	5
Operating expenses	9	11
Total	\$ 15	16

2. Defined contribution plans

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

	For the three months ended March 31	
	2022	2021
Operating costs	\$ 1,924	1,393
Operating expenses	2,833	2,848
Total	\$ 4,757	4,241

(l) 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 March 31	
	2022	2021
Current income tax expense		
Current tax expense recognized in the current period	\$ 44,194	52,049
Income tax expense	\$ 44,194	52,049

The tax authorities have examined income tax returns of the Company through 2019.

(m) Capital and other equity

Except for the following terms, there is no significant change in capital and other rights for the group for the three months ended March 31, 2022 and 2021. The relevant liability is referred to in note 6 (n)

of the consolidated financial report of 2021.

1. Capital surplus

Dividends distributed by capital surplus please refer to the following retained earnings.

2. Retained earnings

Cash dividends distributed by capital surplus and earnings distribution were as follows:

	For the six months ended June 30, 2021	For the six months ended December 31, 2021	Total
Date resolved by Board of Directors	December 3, 2021	February 3, 2022	
Dividends distributed to common stockholders			
Cash-Retained earnings	\$ 89,457	402,554	492,011
Cash-Capital surplus	-	44,728	44,728
Total	<u>\$ 89,457</u>	<u>447,282</u>	<u>536,739</u>
Dividend rate	<u>\$ 2.00</u>	<u>10.00</u>	

	For the six months ended June 30, 2020	For the six months ended December 31, 2020	Total
Date resolved by Board of Directors	July 31, 2020	February 3, 2021	
Dividends distributed to common stockholders			
Cash-Retained earnings	\$ 134,185	-	134,185
Cash-Capital surplus	-	402,554	402,554
Total	<u>\$ 134,185</u>	<u>402,554</u>	<u>536,739</u>
Dividend rate	<u>\$ 3.00</u>	<u>9.00</u>	

(n) 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 March 31	
	2022	2021
Net income attributable to ordinary shareholders of the Company	<u>\$ 181,190</u>	<u>215,038</u>
Weighted average number of ordinary shares	<u>44,728</u>	<u>44,728</u>
Basic earnings per share (NTD)	<u>\$ 4.07</u>	<u>4.81</u>

(ii) Diluted earnings per share

	For the three months ended March 31	
	2022	2021
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 181,910</u>	<u>215,038</u>
Weighted average number of ordinary shares (basic)	44,728	44,728
Effect of potential ordinary shares		
Employees' compensation	267	174
Weighted average number of ordinary shares (diluted)	<u>44,995</u>	<u>44,902</u>
Diluted earnings per share (NTD)	<u>\$ 4.04</u>	<u>4.79</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2022		
	Taiwan	China	Total
Primary geographical markets:			
Taiwan	\$ 106,181	-	106,181
China	301,548	15,304	455,852
Others	49,336	-	49,336
	<u>\$ 457,065</u>	<u>15,304</u>	<u>611,369</u>
Primary merchandises/services lines:			
Sale of optical inspection machinery equipment	\$ 444,664	130,141	574,805
Revenue from services	12,401	24,163	36,564
	<u>\$ 457,065</u>	<u>154,304</u>	<u>611,369</u>
	For the three months ended March 31, 2021		
	Taiwan	China	Total
Primary geographical markets:			
Taiwan	\$ 226,124	-	226,124
China	379,104	66,779	445,883
Others	16,626	-	16,626
	<u>\$ 621,854</u>	<u>66,779</u>	<u>688,633</u>
Primary merchandises/services lines:			
Sale of optical inspection machinery equipment	\$ 609,763	51,217	660,980
Revenue from services	12,091	15,562	27,653
	<u>\$ 621,854</u>	<u>66,779</u>	<u>688,633</u>

(ii) Contract balance

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 39,369	36,838	19,347
Accounts receivable	1,379,710	1,369,472	1,331,706
Long-term accounts receivable	147,717	132,127	157,991
Less: allowance loss	40,848	35,462	73,357
Total	<u>\$ 1,525,948</u>	<u>1,502,975</u>	<u>1,435,687</u>
Contract liabilities--advance receipts	<u>\$ 51,203</u>	<u>93,904</u>	<u>20,537</u>

Please refer to note 6(b) for the details on accounts receivables and allowance for impairments. 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 three months ended March 31, 2022 and 2021 that were included in the contract liability

balance at the beginning of the period were \$75,511 thousand and \$30,059 thousand, respectively.

(p) 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 \$21,934 thousand and \$22,199 thousand, respectively, for the three-month period ended March 31, 2022 and 2021. The remunerations to directors amounted to \$3,240 thousand and \$3,505 thousand, respectively, for the three-month period ended March 31, 2022 and 2021. 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 2021 and 2020, the amount of employee remuneration is NT\$92,107 thousand and NT\$67,278 thousand, respectively, and that of directors is NT\$12,831 thousand and NT\$10,623 thousand, respectively. There is no difference from the distribution of board resolutions. The information is available on the Market Observation Post System website.

(q) Non-operating income and expenses

(i) Interest income

		For the three months ended March 31	
		2022	2021
Bank deposits	\$	718	607
Others		(66)	(26)
Total	\$	<u>652</u>	<u>581</u>

(ii) Other income

		For the three months ended March 31	
		2022	2021
Others	\$	<u>796</u>	<u>881</u>

(iii) Other gains and losses

	For the three months ended March 31	
	2022	2021
Losses on disposals of property, plant and equipment	\$ (33)	(19)
Gains on lease modification	-	11
Foreign exchange gains(losses)	41,401	(3,510)
Others	(40)	(112)
Other gains and losses, net	<u>\$ 41,328</u>	<u>(3,630)</u>

(iv) Finance costs

	For the three months ended March 31	
	2022	2021
Interest expenses	<u>\$ 1,463</u>	<u>814</u>

(r) 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 2021.

1. Credit risk

The credit receivable account of the credit risk Group in March 31, 2022, December 31, 2021 and March 31, 2021 was concentrated on single customers, accounting for 29%, 31% and 27% 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
March 31, 2022					
Non-derivative financial liabilities					
Long-term borrowings(including deferred revenue)	\$ 197,500	200,294	30,161	170,133	-
Notes payable	807	807	807	-	-
Accounts payable	225,491	255,491	255,491	-	-
Other payables	351,186	351,186	351,186	-	-
Dividend payable	447,282	447,282	447,282	-	-
Lease liabilities (Current and non-current)	263,752	364,961	16,194	36,718	312,049
	<u>\$ 1,516,018</u>	<u>1,620,021</u>	<u>1,101,121</u>	<u>206,851</u>	<u>312,049</u>

	Carrying Amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2021					
Non-derivative financial liabilities					
Long-term borrowings(including deferred revenue)	\$ 203,125	206,192	28,537	170,768	6,887
Notes payable	116	116	116	-	-
Accounts payable	302,585	302,585	302,585	-	-
Other payables	352,386	352,386	352,386	-	-
Dividend payable	89,457	89,457	89,457		
Lease liabilities (Current and non-current)	266,938	369,087	16,638	38,593	313,856
	\$ 1,214,607	1,319,823	789,719	209,361	320,743
	Carrying Amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
March 31, 2021					
Non-derivative financial liabilities					
Long-term borrowings(including deferred revenue)	\$ 220,000	223,942	23,648	172,637	27,657
Notes payable	1,115	1,115	1,115	-	-
Accounts payable	293,116	293,116	293,116	-	-
Other payables	318,960	318,960	318,960	-	-
Dividend payable	402,554	402,554	402,554	-	-
Lease liabilities (Current and non-current)	74,906	93,708	10,973	18,459	64,276
	\$ 1,310,651	1,333,395	1,050,366	191,096	91,933

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

(iii) Liquidity risk

1) Currency risk

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

	Foreign currency	Exchange rate	NTD
March 31, 2022			
Financial Assets			
<u>Monetary items</u>			
USD	\$	29,565	846,301
CNY	\$	123,404	556,058
Financial liabilities			
<u>Monetary items</u>			
USD	\$	1,790	51,229
CNY	\$	16,910	76,197
December 31, 2021			
Financial Assets			
<u>Monetary items</u>			
USD	\$	28,856	798,723
CNY	\$	108,806	472,652
Financial liabilities			
<u>Monetary items</u>			
USD	\$	1,783	49,351
CNY	\$	17,378	75,489
March 31, 2021			
Financial Assets			
<u>Monetary items</u>			
USD	\$	34,071	972,210
CNY	\$	93,694	407,007
Financial liabilities			
<u>Monetary items</u>			
USD	\$	1,519	43,348
CNY	\$	11,875	51,585

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, receivables, accounts payables that are denominated in foreign currency. A weakening or strengthening 3% appreciation or depreciation of the NTD against the USD and CNY as of March 31, 2022 and 2021, would have increased or decreased the net profit after tax by \$30,598 thousand and \$30,823 thousand, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currencies, the information on foreign exchange gains (loss) on monetary items is disclosed based on the total amount. For the three months ended March 31, 2022 and 2021, foreign exchange gains (losses) (including realized and unrealized portion) amounted to \$41,401 thousand and \$(3,510) thousand.

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 the interest rate had increased or decreased by 1%, the Group's net income before tax would have increase or decrease by \$4,553 thousand and \$3,765 thousand for the three months ended March 31, 2022 and 2021, respectively, with all other variable factors remain constant. This is mainly due from the Group's cash in bank and borrowing on variable rates.

(iv) Information of fair value

1) Categories and fair value of financial instruments

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

March 31, 2022					
	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	\$ 15,744	-	-	15,744	15,744
Financial assets measured at amortized cost					
Cash and cash equivalents	2,020,651	-	-	-	-
Accounts, notes and long-term receivables	1,525,948	-	-	-	-
Refundable deposits	21,233	-	-	-	-
Other non-current assets	11,551	-	-	-	-
Subtotal	3,579,383	-	-	-	-
Total	\$ 3,595,127	-	-	15,744	15,744
Financial liabilities measured at amortized cost					
Long-term borrowings (including deferred income)	\$ 197,500	-	-	-	-
Notes payable	807	-	-	-	-
Accounts payable	255,491	-	-	-	-
Other payables	351,186	-	-	-	-
Dividends payable	447,282	-	-	-	-
Lease liabilities	263,752	-	-	-	-
Total	\$ 1,516,018	-	-	-	-
December 31, 2021					
	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	\$ 15,744	-	-	15,744	15,744
Financial assets measured at amortized cost					
Cash and cash equivalents	1,976,971	-	-	-	-
Accounts, notes and long-term receivables	1,502,975	-	-	-	-
Refundable deposits	12,923	-	-	-	-
Other non-current assets	11,551	-	-	-	-
Subtotal	3,504,420	-	-	-	-
Total	\$ 3,520,164	-	-	15,744	15,744

December 31, 2021					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Financial liabilities measured at amortized cost					
Long-term borrowings (including deferred income)	\$ 203,125	-	-	-	-
Notes payable	116	-	-	-	-
Accounts payable	302,585	-	-	-	-
Other payables	352,386	-	-	-	-
Dividends payable	89,457				
Lease liabilities	266,938	-	-	-	-
Total	<u>\$ 1,214,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
March 31, 2021					
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	\$ 10,744	-	-	10,744	10,744
Financial assets measured at amortized cost					
Cash and cash equivalents	1,727,919	-	-	-	-
Accounts, notes and long-term receivables	1,435,687	-	-	-	-
Other receivables	11,620	-	-	-	-
Refundable deposits	16,340	-	-	-	-
Other non-current assets	3,191,566	-	-	-	-
Total	<u>\$ 3,202,310</u>	<u>-</u>	<u>-</u>	<u>10,744</u>	<u>10,744</u>
Financial liabilities measured at amortized cost					
Long-term borrowings (including deferred income)	\$ 220,000	-	-	-	-
Notes payable	1,115	-	-	-	-
Accounts payable	293,116	-	-	-	-
Other payables	318,960	-	-	-	-
Dividends payable	402,554	-	-	-	-
Lease liabilities	74,906	-	-	-	-
Total	<u>\$ 1,310,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (1) 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.

- (2) 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.

- (3) Reconciliation of level 3 fair values

	Unquoted equity instruments
Balance at March 31, 2022 (Balance at January 1, 2022)	<u>\$ 15,744</u>
Balance at March 31, 2021 (Balance at January 1, 2021)	<u>\$ 10,774</u>

(4) 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 (March 31, 2022, December 31, 2021 and March 31, 2021 were 2.38-2.48, 2.38-2.48 and 2.44-2.76 respectively)</p> <p>P/E multiplier (March 31, 2022, December 31, 2021 and March 31, 2021 were 12.06-13.22, 12.06-13.22 and 19.84-37.81 respectively)</p> <p>Discount for Lack of Market ability (March 31, 2022, December 31, 2021 and March 31, 2021 were 30%)</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>

(5) 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
March 31, 2022				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	4,883	(4,883)
December 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	4,883	(4,883)
March 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	4,664	(4,664)

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.

(s) 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 2021 consolidated financial report.

(t) Capital management

The Group's capital management objectives, policies and procedures are consistent with those revealed in the 2021 consolidated financial report. For further information, please refer to note 6 (u) of the consolidated financial report of 2021.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Liabilities	\$ 1,856,516	\$ 1,550,858	\$ 1,586,746
Less: cash and cash equivalents	<u>2,020,651</u>	<u>1,976,971</u>	<u>1,727,919</u>
Net liabilities	<u>\$ (164,135)</u>	<u>\$ (426,113)</u>	<u>\$ (141,173)</u>
Total equity	<u>\$ 2,692,703</u>	<u>\$ 2,958,224</u>	<u>\$ 2,418,114</u>
Debt-to-capital ratio	<u>- %</u>	<u>- %</u>	<u>- %</u>

As of March 31, 2022, there was no change in the Group's approach of capital management.

(u) Reconciliation of liabilities arising from financing activities

The Group's liability adjustment associated with financing activities were as follows:

Non-cash adjustments						
	January 1, 2022	Cash flows	Lease Modification	Foreign exchange movement	Interest expenses	March 31, 2022
Long-term borrowings(including deferred revenue)	\$ 203,125	(5,625)	-	-	-	197,500
Lease liabilities	<u>266,938</u>	<u>(4,233)</u>	<u>-</u>	<u>108</u>	<u>939</u>	<u>263,752</u>
Total liabilities from financing activities	<u>\$ 470,063</u>	<u>(9,858)</u>	<u>-</u>	<u>108</u>	<u>939</u>	<u>461,252</u>

Non-cash adjustments						
	January 1, 2021	Cash flows	Lease Modification	Foreign exchange movement	Interest expenses	March 31, 2021
Long-term borrowings(including deferred revenue)	\$ 220,000	-	-	-	-	220,000
Lease liabilities	<u>78,325</u>	<u>(2,850)</u>	<u>(739)</u>	<u>(80)</u>	<u>250</u>	<u>74,906</u>
Total liabilities from financing activities	<u>\$ 298,325</u>	<u>(2,850)</u>	<u>(739)</u>	<u>(80)</u>	<u>250</u>	<u>294,906</u>

(7) Related-party Transactions

Compensation of key management personnel:

	For the three months ended March 31	
	2022	2021
Short-term employee benefits	\$ 12,676	\$ 14,079
Post-employment benefits	81	81
	\$ 12,757	\$ 14,160

(8) Pledge assets

The carrying value of pledged assets were as follows:

Pledged assets	Object asset	March 31, 2022	December 31, 2021	March 31, 2021
Other non-current assets:				
Time deposits	Guarantee for customs	\$ 1,513	1,513	1,512
Time deposits	Guarantee for the Hsinchu Science Park Bureau	10,038	10,038	4,478
Time deposits	Guarantee for Sales agreement	-	-	10,350
		\$ 11,551	11,551	\$ 16,340

(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:

Item	Function	For the three months ended March 31 2022			For the three months ended March 31 2021		
		Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefits							
Salaries		34,497	90,804	125,301	29,584	89,792	119,376
Labor and health insurance		2,644	4,732	7,376	2,376	5,403	7,779
Pension		1,930	2,842	4,772	1,398	2,859	4,257
Directors' remuneration		-	3,246	3,246	-	3,546	3,546
Other employee benefits		5,173	9,125	14,298	3,178	6,964	10,142
Depreciation		2,294	8,388	10,682	2,816	6,232	9,048
Amortization		-	-	-	-	28	28

(b) Seasonal of operations:

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

(13) Other Disclosure

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- Loans to other parties: None.
- Guarantees and endorsements for other parties: None.
- Securities held as of March 31, 2022 (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, 2022				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-non current	884,000	9,644	5.30 %	9,644	
SISSCA Co.,Ltd.	FOR WIN TECH CO., LTD.	-	Financial assets at fair value through profit or loss- non current	610,000	6,100	9.68 %	6,100	

- Individual securities acquired of disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock : None.
- Acquisitions 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 transaction for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Relationship	Transaction details				Arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Machvision (Dongguan) Inc.	Subsidiary	(Sale)	(115,207)	(20.00) %	Depends on the end customer's credit period	Not significantly differences	Depends on the end customer's credit period	517,434	31%	(Note 1)
Machvision (Dongguan) Inc.	The Company	Subsidiary	Purchase	115,207	95.00 %	Depends on the end customer's credit period	Not significantly differences	Depends on the end customer's credit period	(517,434)	(98)%	(Note 1)

Note 1: The transactions have been eliminated upon consolidation.

8. Receivable from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital:

(Amounts in Thousands of New Taiwan Dollar)

Company Name	Related Party	Nature of relationships	Balance as March 31, 2022	Turnover rate	Overdue		Amount Received in Subsequent	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Machvision (Dongguan) Inc.	Subsidiaries	517,434	0.97	70,132	Depends on the end customer's credit period	22,205 (As of May 4, 2022)	-

9. Trading in derivative instruments: None.

10. Business relationships and significant intercompany transactions:

No.	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	115,207	Depends on the Group overall profit allocation	18.84%
0	The Company	Machvision (Dongguan) Inc.	1	Operating cost	23,889	Not significantly differences with general customers	3.91%
0	The Company	Machvision (Dongguan) Inc.	1	Accounts receivable – related parties (including long-term accounts receivable)	517,434	Depends on the end customer's credit period	11.37%
0	The Company	Machvision (Dongguan) Inc.	1	Other payables – related parties	78,349	Dependent on capital budgeting	1.72%

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 three months ended March 31, 2022
(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
				March 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value			
The Company	Machvision Inc.	Samoa	Investment	105,433	105,433	3,463,650	100.00%	1,367	2,373	2,373	1, 2
The Company	Autovision Technology Inc.	Taiwan	Manufacturing of computer peripheral products	9,000	9,000	900,000	45.00%	10,872	656	295	2
The Company	Sigold Optics Inc.	Taiwan	Manufacturing of machinery equipment	49,470	49,470	6,316,330	49.47%	74,134	(1,772)	(876)	2
The Company	Machvision Korea Co., Ltd.	Korea	Maintaining and trading of machinery equipment	21,542	21,542	10,000	100.00%	5,543	(455)	(455)	2
The Company	ChipAI Co., LTD.	Taiwan	Manufacturing of computer peripheral products	18,000	18,000	1,800,000	90.00%	3,677	(69)	(62)	2
The Company	Avountes Inc.	Taiwan	Electronic Information supply Services	8,962	8,962	900,000	45.00%	6,414	165	74	2
The Company	SISSCA Co.,Ltd.	Taiwan	Manufacturing of computer peripheral products	36,295	36,295	3,629,500	36.30%	29,190	(1,436)	(521)	2
Sigold Optics Inc.	SISSCA Co.,Ltd.	Taiwan	Manufacturing of computer peripheral products	43,300	43,300	4,330,000	43.30%	34,824	(1,436)	(622)	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	105,361	(2)i	105,361	-	-	105,361	2,373	100%	2,373	12,780	-
Dongguan muxin intelligent equipment Co., Ltd	Maintaining and trading of machinery equipment	4,220	(4)i	-	-	-	-	3	51%	2	2,368	-

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	105,361	105,361	1,552,310 (Note 1)

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

(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 three months ended March 31, 2022.

(d) Information of major shareholders: None.

(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 March, 2022				
Revenue:				
Revenue from external customers	\$ 457,065	154,304	-	611,369
Inter-segment revenue	126,183	24,402	(150,585)	-
Total revenue	\$ 583,248	178,706	(150,585)	611,369
Reportable segment revenue or loss	\$ 179,889	4,159	-	184,048
For the three months ended March, 2021				
Revenue:				
Revenue from external customers	\$ 621,854	66,779	-	688,633
Inter-segment revenue or loss	60,514	3,533	(64,047)	-
Total revenue	\$ 682,368	70,312	(64,047)	688,633
Reportable segment revenue or loss	\$ 287,715	(19,562)	-	268,153

For the three months ended March, 2022 and 2021, the total revenue of the reportable segment should exclude the inter-segment revenue of \$150,585 thousand and \$64,047 thousand, respectively.