

Stock Code:3563

**(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)**

**MACHVISION INC. CO., LTD.**

**Parent Company Only Financial Statements**

**With Independent Auditors' Report**

**For the Years Ended December 31, 2020 and 2019**

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

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

The independent auditors' report and the accompanying 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' Report**

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

### **Opinion**

We have audited the financial statements of Machvision Inc. (the "Company"), which comprise the statement of financial position as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **1. Revenue recognition**

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

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Company's finance or operating performance. The accuracy of the timing and amount of revenue recognition have significant impact on the financial statements. Therefore, we consider it as one of our key audit matters.

How the matter was addressed in our audit:

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

## 2. Impairment of trade receivables

Please refer to notes 4(f), 5 and 6(b) for disclosures related to impairment of trade receivables.

Description of key audit matter:

The notes, accounts and long-term accounts receivable constituted 49% of total assets of the Company as of December 31, 2020, and the impairment of notes, accounts and long-term accounts receivable depends on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider them as one of our key audit matters.

How the matter was addressed in our audit:

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

## 3. Inventory measurement

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governance unit (including the audit committee) of MACHVISION, INC. is responsible for supervising the financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Chung Shun Wu

KPMG

Taipei, Taiwan (Republic of China)  
February 3, 2021

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
MACHVISION INC.

Parent Company Only Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019								
		Amount	%	Amount	%			Amount	%	Amount	%							
Assets																		
Current assets:																		
1100	Cash and cash equivalents (note 6(a))	\$	1,374,032	38	478,550	17	2130	Current contract liabilities (note 6(p))	\$	22,048	1							
1151	Notes receivable (notes 6(b) and (p))		175	-	45	-	2150	Notes payable		216	-							
1170	Accounts receivable, net (notes 6(b) and (p))		807,253	22	862,763	30	2170	Accounts payable		228,059	6							
1180	Accounts receivable-related parties (notes 6(b), (p) and 7)		203,697	6	186,977	6	2180	Accounts payable-related parties (note 7)		40,788	1							
1210	Other receivables-related parties(note 7)		24,579	1	25,667	1	2200	Other payables (note 6(q))		284,794	8							
130x	Inventories (note 6(c))		338,993	9	363,119	13	2220	Other payables-related parties (note 7)		69,615	2							
1410	Prepayments		2,740	-	13,433	-	2230	Current tax liabilities		166,590	5							
1479	Other current assets		5,113	-	10,147	-	2250	Provisions — current (note 6(j))		13,442	-							
	Total current assets		2,756,582	76	1,940,701	67	2280	Current lease liabilities (note 6(i))		10,326	-							
Non-current assets:												2313	Deferred income (note 6(k))		1,038	-	-	
1510	Financial assets at fair value through profit or loss—non-current (note 6(e))		9,644	-	9,644	-	2322	Current portion of long-term borrowings (note 6(k))		16,875	-	-	-					
1550	Investment using the equity method (note 6(d))		104,717	3	164,557	6	2399	Other current liabilities		1,785	-	5,020	-					
1600	Property, plant and equipment (note 6(f))		240,404	7	244,241	9		Total current liabilities		855,576	23	872,500	30					
1755	Right-of-use assets (note 6(g))		73,376	2	98,923	4	2540	Non-Current liabilities:										
1780	Intangible assets (note 6(h))		83	-	193	-	2580	Long-term borrowings (note 6(k))		199,535	6	-	-					
1840	Deferred income tax assets (note 6(m))		54,030	1	37,460	1	2630	Non-current lease liabilities (note 6(i))		64,313	2	89,564	3					
1920	Refundable deposits		8,720	-	9,716	-	2640	Long-term deferred income (note 6(k))		2,552	-	-	-					
1932	Long-term receivables (notes 6(b) and (p))		141,032	4	230,705	8	2650	Net defined benefit liabilities (note 6(l))		11,286	-	10,429	-					
1942	Long-term receivable-related parties ( notes 6(b) 、(p) and 7 )		258,003	7	155,550	5		Investment using the equity method with credit balance(note 6(d))		10,918	-	16,698	1					
1995	Other non-current assets (notes 8)		16,296	-	7,401	-		Total non-current liabilities		288,604	8	116,691	4					
	Total non-current assets		906,305	24	958,390	33		Total liabilities		1,144,180	31	989,191	34					
													Equity attributable to shareholders of the company (note 6(n)):					
													Ordinary shares		447,282	12	426,082	15
													Capital surplus:					
							3211	Additional paid-in capital		568,285	16	59,485	2					
							3235	Changes in equities of subsidiaries		4	-	4	-					
							3280	Other capital surplus		23	-	23	-					
															568,312	16	59,512	2
													Retained earnings:					
							3310	Legal reserve		438,263	12	309,915	11					
							3320	Special reserve		3,791	-	2,957	-					
							3350	Unappropriated retained earnings		1,064,573	29	1,115,977	38					
															1,506,627	41	1,428,849	49
													Other equity interest:					
							3410	Foreign currency translation differences for foreign operations		(3,514)	-	(4,543)	-					
													Total equity		2,518,707	69	1,909,900	66
Total assets		\$	3,662,887	100	2,899,091	100	Total liabilities and equity		\$	3,662,887	100	2,899,091	100					

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
MACHVISION INC.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (note 6(p) and 7)	\$ 2,263,325	100	2,358,299	100
5000	Operating costs (notes 6(c), (f), (g), (i),(j),(l),(q)and 7)	848,714	37	821,865	35
	Gross profit	1,414,611	63	1,536,434	65
5910	Decrease: unrealized sales benefits	4,580	-	(996)	-
5900	Gross profit from operations	1,410,031	63	1,537,430	65
6000	Operating expenses (notes 6(b), (f), (g), (h) ,(i), (l),(q)and 7):				
6100	Selling expenses	148,791	6	156,751	7
6200	Administrative expenses	102,152	5	105,469	4
6300	Research and development expenses	221,156	10	190,618	8
6450	Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	38,024	2	(1,772)	-
	Total operating expenses	510,123	23	451,066	19
	Net operating income	899,908	40	1,086,364	46
7000	Non-operating income and expenses (note 6(r)and 7)):				
7100	Interest income	1,833	-	6,467	-
7010	Other income	34,667	1	23,676	1
7020	Other gains and losses	(77,844)	(3)	(29,937)	(1)
7050	Financial costs	(2,894)	-	(1,853)	-
7775	Share of profit (losses) of subsidiaries for using equity method	(48,387)	(2)	(52,415)	(2)
	Total non-operating income and expenses	(92,625)	(4)	(54,062)	(2)
	Net income before tax	807,283	36	1,032,302	44
7950	Less: Income tax expenses (note 6(m))	147,235	7	179,703	8
	Net income	660,048	29	852,599	36
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Losses on remeasurements of defined benefit plans	(803)	-	(863)	-
8349	Less: income tax related to items that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(803)	-	(863)	-
8360	Items that will be reclassified subsequently to profit or loss:				
8361	Financial statements translation differences for foreign operations	953	-	(1,649)	-
8399	Less: income tax related to items that will be reclassified to profit or loss	(76)	-	(63)	-
	Total items that will be reclassified subsequently to profit or loss	1,029	-	(1,586)	-
8300	Other comprehensive income (loss), net of tax	226	-	(2,449)	-
8500	Total comprehensive income	<u>\$ 660,274</u>	<u>29</u>	<u>850,150</u>	<u>36</u>
	Earnings per share (note 6(o)):				
9710	Basic earnings per share (in New Taiwan dollars)	<u>\$ 15.02</u>		<u>20.01</u>	
9810	Diluted earnings per share (in New Taiwan dollars)	<u>\$ 14.93</u>		<u>19.86</u>	



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
MACHVISION INC.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

							Total other equity interest	
							Exchange differences on translation of foreign financial statements	
				Retained earnings				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total		Total equity
<b>Balance at January 1, 2019</b>	\$ 426,082	59,492	180,274	2,507	1,544,754	1,727,535	(2,957)	2,210,152
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	129,641	-	(129,641)	-	-	-
Special reserve appropriated	-	-	-	450	(450)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,150,422)	(1,150,422)	-	(1,150,422)
Other changes in capital surplus	-	20	-	-	-	-	-	20
Net income	-	-	-	-	852,599	852,599	-	852,599
Other comprehensive income	-	-	-	-	(863)	(863)	(1,586)	(2,449)
Total comprehensive income	-	-	-	-	851,736	851,736	(1,586)	850,150
<b>Balance at December 31, 2019</b>	426,082	59,512	309,915	2,957	1,115,977	1,428,849	(4,543)	1,909,900
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	128,348	-	(128,348)	-	-	-
Special reserve appropriated	-	-	-	834	(834)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(581,467)	(581,467)	-	(581,467)
Net income	-	-	-	-	660,048	660,048	-	660,048
Other comprehensive income	-	-	-	-	(803)	(803)	1,029	226
Total comprehensive income	-	-	-	-	659,245	659,245	1,029	660,274
Issue of shares	21,200	508,800	-	-	-	-	-	530,000
<b>Balance at December 31, 2020</b>	<u>\$ 447,282</u>	<u>568,312</u>	<u>438,263</u>	<u>3,791</u>	<u>1,064,573</u>	<u>1,506,627</u>	<u>(3,514)</u>	<u>2,518,707</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**MACHVISION INC.****Parent Company Only Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 807,283	1,032,302
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	30,613	17,965
Amortization	110	110
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	38,024	(1,772)
Interest expense	2,894	1,853
Interest income	(1,833)	(6,467)
Dividend income	(884)	(1,326)
Net loss of investment using equity method	48,387	52,415
Gain on disposal of property, plant and equipment	-	(120)
Loss on disposal of investments	1,826	-
Unrealized sales benefits	4,580	(996)
Lease modification gains	(379)	-
Total adjustments to reconcile profit	<u>123,338</u>	<u>61,662</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	(130)	1,792
Accounts receivable(long-term included)	107,405	(117,644)
Accounts receivable-related parties(long-term included)	(119,251)	(130,722)
Other receivables-related parties	1,088	(21,858)
Inventories	24,126	(138,396)
Prepayments	10,665	(8,162)
Other current assets	<u>5,015</u>	<u>(5,807)</u>
Total changes in operating assets, net	<u>28,918</u>	<u>(420,797)</u>
Net changes in operating liabilities:		
Contract liabilities	20,558	(80,310)
Notes payable	(777)	(365)
Accounts payable	(116,033)	44,057
Accounts payable-related parties	8,999	5,842
Other payables	(93,067)	(49,464)
Other payables-related parties	11,257	21,299
Provisions	1,317	(33,228)
Other current liabilities	(3,235)	3,242
Net defined benefit liability	<u>54</u>	<u>69</u>
Total changes in operating liabilities, net	<u>(170,927)</u>	<u>(88,858)</u>
Total changes in operating assets / liabilities, net	<u>(142,009)</u>	<u>(509,655)</u>
Total adjustments	<u>(18,671)</u>	<u>(447,993)</u>
Cash provided by operating activities	788,612	584,309
Interest income received	1,684	5,873
Income tax paid	<u>(27,281)</u>	<u>(429,631)</u>
<b>Net cash provided by operating activities</b>	<u>763,015</u>	<u>160,551</u>
<b>Cash flows from investing activities:</b>		
Acquisition of investments accounted for using the equity method	(48,725)	(115,836)
Proceeds from disposal of subsidiaries	32,079	-
Proceeds from capital reduction of investments accounted for using equity method	5,016	-
Acquisition of property, plant and equipment	(25,773)	(40,387)
Proceeds from disposal of property, plant and equipment	2,252	143
Decrease (increase) in refundable deposits	996	(5,711)
Increase in other non-current assets	(2,095)	(3,779)
Dividends received	<u>12,734</u>	<u>1,326</u>
<b>Net cash used in investing activities</b>	<u>(23,516)</u>	<u>(164,244)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	220,000	-
Payment of lease liabilities	(8,991)	(8,300)
Cash dividends paid	(581,467)	(1,150,422)
Proceeds from issuing shares	530,000	-
Interest paid	(3,559)	-
Surplus not paid due to overdue	<u>-</u>	<u>20</u>
<b>Net cash used in financing activities</b>	<u>155,983</u>	<u>(1,158,702)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	895,482	(1,162,395)
<b>Cash and cash equivalents at beginning of period</b>	<u>478,550</u>	<u>1,640,945</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 1,374,032</b></u>	<u><b>478,550</b></u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**MACHVISION INC. CO., LTD.**

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

**(1) History and organization**

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

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

The financial statements were approved by the Board of Directors and published on February 3, 2021.

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

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

The following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

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

The following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

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

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

(Continued)

## MACHVISION INC. CO., LTD.

### Notes to the Parent Company Only Financial Statements

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

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

###### (i) Basis of measurement

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

###### (ii) Functional and reporting currency

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

##### (c) Foreign currency

###### (i) Foreign currency transactions

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

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

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

###### (ii) Foreign operations

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

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

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

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

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

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

(e) Cash and cash equivalents

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

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

(f) Financial instruments

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

#### 2) Fair value through profit or loss (FVTPL)

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

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

#### 3) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

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

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

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

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

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

#### 4) Derecognition of financial assets

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

#### (ii) Financial liabilities and equity instruments

##### 1) Other financial liabilities

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

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

#### 2) Derecognition of financial liabilities

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

#### 3) Offsetting of financial assets and liabilities

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

#### (g) Inventories

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

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

#### (h) Investment in subsidiaries

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangement into two types-joint operations and joint ventures, and have the following characteristics: (a) The parties are bound by a contractual arrangement; (b) The contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint ventures) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The company recognizes its interest in a joint venture as an investments and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the Company qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Company considers the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

#### (i) Property, plant and equipment

(Continued)



## MACHVISION INC. CO., LTD.

### Notes to the Parent Company Only Financial Statements

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

Buildings	5~50 years
Machinery equipment	5~15 years
Other equipment	2~10 years

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

(j) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Company has the right to direct the use of an asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

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

### **Notes to the Parent Company Only Financial Statements**

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets, including its office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **(k) Intangible assets**

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

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

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

**(l) Impairment of non-financial assets**

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

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

**(m) Provisions**

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

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

**(n) Revenue**

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

**(i) Sale of goods**

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

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

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

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

(ii) Services

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

(o) Government grants

The Company recognizes deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

(iii) Short-term employee benefits

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

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

(q) Income tax

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

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

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

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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

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

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred income tax assets and liabilities fulfill one of the below scenarios:

(Continued)

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

### **Notes to the Parent Company Only Financial Statements**

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

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

(r) **Earnings per share**

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

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

(s) **Operating segments**

The Company has disclosed information about operating segment in its consolidated financial statements. Hence no further information is disclosed in the parent company only financial statements.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and

(Continued)

**MACHVISION INC. CO., LTD.****Notes to the Parent Company Only Financial Statements**

assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trades receivable

The Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used to estimate of the impairment of accounts receivable.

(b) Inventory measurement

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

(Continued)



**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 1,352	810
Saving deposits	954,728	108,260
Foreign currency deposits	107,629	147,525
Time deposits	310,323	221,955
Cash and cash equivalents per statements of cash flow	<u><b>\$ 1,374,032</b></u>	<u><b>478,550</b></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(s) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 175	45
Accounts receivable	852,562	870,133
Receivables from related parties	203,697	186,977
Long-term accounts receivable	141,273	231,192
Long-term accounts receivable from related parties	258,423	155,892
Less: allowance for impairment	45,309	7,370
unrealized interest income	661	829
	<u><b>\$ 1,410,160</b></u>	<u><b>1,436,040</b></u>

The Company 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. After evaluating, there were no credit losses because counter parties to the Company's account and long-term receivables from related parties were all the subsidiaries. The expected credit losses from the Company's non-related parties were determined as follows:

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 781,510	0.003%	22
1 to 90 days past due	125,063	0.372%	466
91 to 180 days past due	27,276	2.102%	573
181 to 270 days past due	14,855	7.460%	1,157
271 to 365 days past due	4,559	56.700%	2,585
Past due over 365 days	40,506	100.000%	40,506
	<b><u>\$ 993,769</u></b>		<b><u>45,309</u></b>

  

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 832,947	0%	-
1 to 90 days past due	116,351	0.331%	385
91 to 180 days past due	106,159	1.755%	1,863
181 to 270 days past due	41,378	5.331%	2,206
271 to 365 days past due	2,716	58.339%	1,584
Past due over 365 days	1,332	100.000%	1,332
	<b><u>\$ 1,100,883</u></b>		<b><u>7,370</u></b>

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

	<b>2020</b>	<b>2019</b>
Balance on January 1, 2020 and 2019	\$ 7,370	12,382
Impairment losses recognized (reversed)	38,024	(1,772)
Amounts written off	(85)	(3,240)
Balance on December 31, 2020 and 2019	<b><u>\$ 45,309</u></b>	<b><u>7,370</u></b>

The Company does not hold any collateral for the collected amounts.

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

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(c) Inventories

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Merchandise and finished goods	\$ 74,591	101,796
Work in process	74,917	81,921
Raw material	189,485	179,402
	<b><u>\$ 338,993</u></b>	<b><u>363,119</u></b>

The Company's 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:

	<b>2020</b>	<b>2019</b>
Losses on decline in market value and scrapping of inventory	\$ 11,703	6,096
Gains on physical count	31	(195)
	<b><u>\$ 11,734</u></b>	<b><u>5,901</u></b>

(d) Investments accounted for using equity method

The investments accounted for using equity method on the balance sheets date were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	<b><u>\$ 104,717</u></b>	<b><u>164,557</u></b>

Credit balance on the investments accounted for using equity method:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	<b><u>\$ 10,918</u></b>	<b><u>16,698</u></b>

Please refer to Consolidated Financial Statements in 2020.

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

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

(f) Property, plant and equipment

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

	Buildings	Machinery equipment	Other equipment	Construction in progress	Total
Cost:					
Balance as of January 1, 2020	\$ 234,269	4,250	14,151	27,995	280,665
Additions	14,557	1,166	9,765	285	25,773
Reclassification	18,394	-	-	(25,194)	(6,800)
Disposals	(3,641)	(495)	(140)	(2,252)	(6,528)
Balance as of December 31, 2020	<u><u>\$ 263,579</u></u>	<u><u>4,921</u></u>	<u><u>23,776</u></u>	<u><u>834</u></u>	<u><u>293,110</u></u>
Balance as of January 1, 2019	\$ 203,624	4,357	9,144	27,874	244,999
Additions	17,722	515	7,673	14,477	40,387
Reclassification	12,923	-	-	(14,356)	(1,433)
Disposals	-	(622)	(2,666)	-	(3,288)
Balance as of December 31, 2019	<u><u>\$ 234,269</u></u>	<u><u>4,250</u></u>	<u><u>14,151</u></u>	<u><u>27,995</u></u>	<u><u>280,665</u></u>
Depreciation and impairment losses:					
Balance as of January 1, 2020	\$ 30,696	1,318	4,410	-	36,424
Depreciation	16,337	746	3,475	-	20,558
Disposals	(3,641)	(495)	(140)	-	(4,276)
Balance as of December 31, 2020	<u><u>\$ 43,392</u></u>	<u><u>1,569</u></u>	<u><u>7,745</u></u>	<u><u>-</u></u>	<u><u>52,706</u></u>
Balance as of January 1, 2019	\$ 23,314	1,162	4,938	-	29,414
Depreciation	7,382	778	2,115	-	10,275
Disposals	-	(622)	(2,643)	-	(3,265)
Balance as of December 31, 2019	<u><u>\$ 30,696</u></u>	<u><u>1,318</u></u>	<u><u>4,410</u></u>	<u><u>-</u></u>	<u><u>36,424</u></u>
Carrying amounts:					
December 31, 2020	<u><u>\$ 220,187</u></u>	<u><u>3,352</u></u>	<u><u>16,031</u></u>	<u><u>834</u></u>	<u><u>240,404</u></u>
December 31, 2019	<u><u>\$ 203,573</u></u>	<u><u>2,932</u></u>	<u><u>9,741</u></u>	<u><u>27,995</u></u>	<u><u>244,241</u></u>
January 1, 2019	<u><u>\$ 180,310</u></u>	<u><u>3,195</u></u>	<u><u>4,206</u></u>	<u><u>27,874</u></u>	<u><u>215,585</u></u>

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(g) Right-of-use assets

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

	<b>Land and buildings</b>	<b>Other equipment</b>	<b>Total</b>
Cost:			
Balance at January 1, 2020	\$ 94,062	12,551	106,613
Additions	-	8,185	8,185
Lease modification	(24,414)	-	(24,414)
Balance at December 31, 2020	<b><u>\$ 69,648</u></b>	<b><u>20,736</u></b>	<b><u>90,384</u></b>
Balance at January 1, 2019	\$ 62,107	8,161	70,268
Additions	37,487	4,390	41,877
Lease modification	(5,532)	-	(5,532)
Balance at December 31, 2019	<b><u>\$ 94,062</u></b>	<b><u>12,551</u></b>	<b><u>106,613</u></b>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2020	\$ 3,396	4,294	7,690
Depreciation	4,423	5,632	10,055
Lease modification	(737)	-	(737)
Balance at December 31, 2020	<b><u>\$ 7,082</u></b>	<b><u>9,926</u></b>	<b><u>17,008</u></b>
Balance at January 1, 2019	\$ -	-	-
Depreciation	3,396	4,294	7,690
Balance at December 31, 2019	<b><u>\$ 3,396</u></b>	<b><u>4,294</u></b>	<b><u>7,690</u></b>
Carrying value:			
December 31, 2020	<b><u>\$ 62,566</u></b>	<b><u>10,810</u></b>	<b><u>73,376</u></b>
December 31, 2019	<b><u>\$ 90,666</u></b>	<b><u>8,257</u></b>	<b><u>98,923</u></b>
January 1, 2019	<b><u>\$ 62,107</u></b>	<b><u>8,161</u></b>	<b><u>70,268</u></b>

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(h) Intangible assets

The cost, amortization and impairment loss of intangible assets were as follows:

	<b>Industrial capital contribution</b>	<b>Computer software expense</b>	<b>Total</b>
Cost:			
Balance as of January 1, 2020 (Balance as of December 31, 2020)	<u>\$ 16,000</u>	<u>1,100</u>	<u>17,100</u>
Balance as of January 1, 2019 (Balance as of December 31, 2019)	<u>\$ 16,000</u>	<u>1,100</u>	<u>17,100</u>
Amortization and impairment loss:			
Balance as of January 1, 2020	\$ 16,000	907	16,907
Amortization	-	110	110
Balance as of December 31, 2020	<u>\$ 16,000</u>	<u>1,017</u>	<u>17,017</u>
Balance as of January 1, 2019	\$ 16,000	797	16,797
Amortization	-	110	110
Balance as of December 31, 2019	<u>\$ 16,000</u>	<u>907</u>	<u>16,907</u>
Carrying amounts:			
December 31, 2020	<u>\$ -</u>	<u>83</u>	<u>83</u>
December 31, 2019	<u>\$ -</u>	<u>193</u>	<u>193</u>
January 1, 2019	<u>\$ -</u>	<u>303</u>	<u>303</u>

(i) The amortization of intangible assets were follows:

	<b>2020</b>	<b>2019</b>
Operating expenses	<u>\$ 110</u>	<u>110</u>

(ii) Impairment Loss

The Company recognized an impairment loss of \$4,000 thousand after assessing the recoverable amount of the intangible asset (the technology capital contributed by the shareholders of the Company) on December 31, 2008. The intangible asset has been amortized for the year ended December 31, 2018.

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**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(i) Lease liabilities

The Company's lease liabilities were as follow:

	December 31, 2020	December 31, 2019
Current	<u>\$ 10,326</u>	<u>10,602</u>
Non-current	<u>\$ 64,313</u>	<u>89,564</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 1,188</u>	<u>1,853</u>
Expenses relating to short-term leases	<u>\$ 4,186</u>	<u>5,488</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 97</u>	<u>785</u>

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

	2020	2019
Total cash outflow for leases	<u>\$ 15,127</u>	<u>14,573</u>

(j) Provisions

	<b>Warranties</b>
January 1, 2020	\$ 12,125
Provisions used during the year	17,383
Provisions reversal during the year	<u>(16,066)</u>
December 31, 2020	<u>\$ 13,442</u>
January 1, 2019	\$ 45,353
Provisions used during the year	(11,529)
Provisions reversal during the year	<u>(21,699)</u>
December 31, 2019	<u>\$ 12,125</u>

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

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**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(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.

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Due year</b>	<b>Amount</b>
Unsecured bank loans	NTD	1.1%	2021-2027	\$ 220,000
Less: deferred revenue				<u>3,590</u>
				<u>\$ 216,410</u>
Current				\$ 16,875
Non-current				<u>199,535</u>
Total				<u>\$ 216,410</u>
<b>December 31, 2020</b>				
Deferred revenue - Government grants				
Current				\$ 1,038
Non-current				<u>2,552</u>
Total				<u>\$ 3,590</u>

(l) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
The present value of the defined benefit obligations	\$ 14,729	13,679
Fair value of plan assets	<u>(3,443)</u>	<u>(3,250)</u>
The net defined benefit liability	<u><b>\$ 11,286</b></u>	<u><b>10,429</b></u>

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts

(Continued)



# MACHVISION INC. CO., LTD.

## Notes to the Parent Company Only Financial Statements

accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$3,443 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labors.

### 2) Movements in present value of the defined benefit obligations

The movements in present value of the Company's defined benefit obligation were as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligation at the beginning of the year	\$ 13,679	12,549
Current interest	153	173
Remeasurements of the net defined benefit liability		
— Due to changes in financial assumption of actuarial (losses) gains	897	957
Defined benefit obligation at the end of the year	<b><u>\$ 14,729</u></b>	<b><u>13,679</u></b>

### 3) Movement of the defined benefit plan assets

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

	<b>2020</b>	<b>2019</b>
Fair value of plan assets at the beginning of the year	\$ 3,250	3,052
Interest revenue	37	43
Remeasurements of the net defined benefit liability		
— Return on plan assets excluding the interest income	94	94
Contributions made	62	61
Fair value of plan assets at the end of the year	<b><u>\$ 3,443</u></b>	<b><u>3,250</u></b>

### 4) Expenses recognized in profit or loss

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

	<b>2020</b>	<b>2019</b>
Net interest on the defined benefit liability(asset)	<b><u>\$ 116</u></b>	<b><u>130</u></b>
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 24	24
Selling expenses	9	9
Research and development expenses	83	97
	<b><u>\$ 116</u></b>	<b><u>130</u></b>

(Continued)

# MACHVISION INC. CO., LTD.

## Notes to the Parent Company Only Financial Statements

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

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<b>2020</b>	<b>2019</b>
Cumulative amount at the beginning of the year	\$ 6,516	5,653
Recognized during the period	803	863
Cumulative amount at the end of the year	<b><u>\$ 7,319</u></b>	<b><u>6,516</u></b>

- 6) Actuarial assumptions

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

	<b>2020.12.31</b>	<b>2019.12.31</b>
Discount rate	0.625%	1.125%
Future salary increases rate	3.000%	3.000%

The Company expects to make contributions of \$0 thousand to its defined benefit plans in the following year starting from the reporting date of 2020.

The weighted average duration of the defined benefit plans is 14.99 years.

- 7) Sensitivity analysis

As of December 31, 2020 and 2019, the present value of the defined benefit obligation were as follow:

	<b>The impact of defined benefit obligation</b>	
	<b>Increase 0.25%</b>	<b>Decrease 0.25%</b>
December 31, 2020		
Discount rate	\$ (428)	446
Future salary increase rate	427	(412)
December 31, 2019		
Discount rate	(414)	432
Future salary increase rate	416	(401)

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

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

- (ii) Defined contribution plans

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

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**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

constructive obligations.

The Company's pension costs under the defined contribution plan were \$12,964 thousand and \$9,808 thousand for 2020 and 2019, respectively. Payment was made to the Bureau of the Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(m) Income tax

(i) Income tax expenses

The amount of income tax were as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense		
Current period incurred	\$ 165,551	194,020
Adjustment for prior periods	<u>(1,822)</u>	<u>(1,826)</u>
	163,729	192,194
Deferred tax expense		
Origination and reversal of temporary differences	<u>(16,494)</u>	<u>(12,491)</u>
Income tax expenses	<u><b>\$ 147,235</b></u>	<u><b>179,703</b></u>

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

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Financial statements translation differences for foreign operations	<u><b>\$ 76</b></u>	<u><b>63</b></u>

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

	<u>2020</u>	<u>2019</u>
Profit before income tax	<u><b>\$ 807,283</b></u>	<u><b>1,032,302</b></u>
Income tax using the Company's domestic tax rate	\$ 161,457	206,461
Adjustments according to tax law	1,602	(1,572)
Tax treaty rewards	(28,003)	(23,583)
Adjustments for prior years income tax	(1,822)	(1,826)
Previously overestimate (underestimate) deferred tax assets	-	223
Income tax on unappropriated earnings	14,001	-
Total	<u><b>\$ 147,235</b></u>	<u><b>179,703</b></u>

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**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

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

Deferred tax assets:

	Provisions	Loss from investment using equity method	Allowance for inventory valuation	Other	Total
<b>Balance at January 1, 2020</b>	\$ 2,425	15,744	9,536	9,755	37,460
Recognized in profit or loss	263	7,624	2,088	6,519	16,494
Recognized in other comprehensive income	-	-	-	76	76
<b>Balance at December 31, 2020</b>	<b>\$ 2,688</b>	<b>23,368</b>	<b>11,624</b>	<b>16,350</b>	<b>54,030</b>
<b>Balance at January 1, 2019</b>	\$ 9,070	3,108	9,433	4,075	25,686
Recognized in profit or loss	(6,645)	12,636	103	5,617	11,711
Recognized in other comprehensive income	-	-	-	63	63
<b>Balance at December 31, 2019</b>	<b>\$ 2,425</b>	<b>15,744</b>	<b>9,536</b>	<b>9,755</b>	<b>37,460</b>

Deferred tax liabilities:

	Unrealized exchange gain
<b>Balance at January 1, 2019</b>	\$ 780
Recognized in profit or loss	(780)
<b>Balance at December 31, 2019</b>	<b>-</b>

(iii) Examination and Approval

The ROC income tax authorities have examined the Company's income tax returns through 2018.

## MACHVISION INC. CO., LTD.

### Notes to the Parent Company Only Financial Statements

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the total value of nominal ordinary shares amounted to \$500,000 thousand, with a par value of \$10 per share, of which 44,728 thousand shares and 42,608 thousand shares were issued, respectively. All issued shares were paid up upon issuance.

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.

(ii) Capital surplus

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

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation amended on May 29, 2019, if the Company makes a profit in each semi fiscal year, the profit shall be first utilized for paying taxes, estimating employee remuneration, offsetting losses of previous years, and setting aside 10% of the remaining profit as legal reserve, until the legal reserve is equal to the paid in capital. Then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors. Distribution in cash shall have the approval from the Board of Directors. Whereas if it is in shares, it shall have to be proposed by the Board of Directors during the shareholders' meeting for approval.

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

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

1) Legal reserve

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

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**MACHVISION INC. CO., LTD.**

**Notes to the Parent Company Only Financial Statements**

2) Special reserve

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

3) Earnings distribution

The appropriations of 2019 and 2018 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on March 27, 2020 and May 29, 2019, respectively, were as follows:

	<b>2019</b>		<b>2018</b>	
	<b>Amount per share (NTD)</b>	<b>Total Amount</b>	<b>Amount per share (NTD)</b>	<b>Total Amount</b>
Dividends distributed to ordinary stockholders:				
Cash (earnings)	\$ 10.00	<u><b>447,282</b></u>	27.00	<u><b>1,150,422</b></u>

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

	<b>For the six months ended June 30, 2020</b>	
	<b>Amount per share (NTD)</b>	<b>Total Amount</b>
Dividends distributed to ordinary stockholders:		
Cash (earnings)	\$ 3.00	<u><b>134,185</b></u>

On February 3, 2021, the board of directors resolved to distribute the earnings for 2020. The earnings were appropriated as follows:

	<b>2020</b>	
	<b>Amount per share (NTD)</b>	<b>Total Amount</b>
Dividends distributed to ordinary stockholders:		
Cash (capital surplus)	\$ 9.00	<u><b>402,554</b></u>

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(o) Earnings per share

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

(i) Basic earnings per share

	<b>2020</b>	<b>2019</b>
Net income attributable to ordinary shareholders of the Company	<u><u>\$ 660,048</u></u>	<u><u>852,599</u></u>
Weighted-average number of ordinary shares	<u><u>43,952</u></u>	<u><u>42,608</u></u>
Basic earnings per share (in NTD)	<u><u>\$ 15.02</u></u>	<u><u>20.01</u></u>

(ii) Diluted earnings per share

	<b>2020</b>	<b>2019</b>
Net income attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 660,048</u></u>	<u><u>852,599</u></u>
Weighted-average number of ordinary shares (basic)	43,952	42,608
Effect of potential ordinary shares		
Employee's stock bonus	<u>252</u>	<u>318</u>
Weighted-average number of ordinary shares (diluted)	<u><u>44,204</u></u>	<u><u>42,926</u></u>
Diluted earnings per share (in NTD)	<u><u>\$ 14.93</u></u>	<u><u>19.86</u></u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>2020</b>	<b>2019</b>
Primary geographical markets:		
Taiwan	\$ 268,124	638,151
China	1,823,947	1,594,248
Others	<u>171,254</u>	<u>125,900</u>
	<u><u>\$ 2,263,325</u></u>	<u><u>2,358,299</u></u>
Primary merchandises / Services lines:		
Sale of optical inspection machinery equipment	\$ 2,197,097	2,283,028
Revenue from services	<u>66,228</u>	<u>75,271</u>
	<u><u>\$ 2,263,325</u></u>	<u><u>2,358,299</u></u>

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	\$ 175	45	1,837
Accounts receivable (including related parties)	1,056,259	1,057,110	1,057,542
Long-term accounts receivable(including related parties)	399,035	386,255	140,081
Less: allowance for impairment	45,309	7,370	12,382
Total	<u>\$ 1,410,160</u>	<u>1,436,040</u>	<u>1,187,078</u>
Contract liabilities	<u>\$ 22,048</u>	<u>1,490</u>	<u>81,800</u>

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

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$1,490 thousand and \$81,798 thousand, respectively.

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

(q) Remuneration to employees, directors and supervisors

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

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$67,278 thousand and \$97,368 thousand, and directors' and supervisors' remuneration amounting to \$10,623 thousand and \$17,931 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019.

(r) Non-operating income and expenses

(i) Interest income

	2020	2019
Interest income from bank deposits	\$ 1,665	5,851
Other interest income	168	616
Total Interest income	<u>\$ 1,833</u>	<u>6,467</u>

(Continued)



**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Other income

	<b>2020</b>	<b>2019</b>
Dividend income	\$ 884	1,326
Others	33,783	22,350
Total Other income	<b>\$ 34,667</b>	<b>23,676</b>

(iii) Other gains and losses

	<b>2020</b>	<b>2019</b>
Gains on disposals of property, plant and equipment	\$ -	120
Losses on disposals of investments	(1,826)	-
Lease modification gains	379	-
Foreign exchange losses	(69,520)	(29,785)
Others	(6,877)	(272)
Other gains and losses, net	<b>\$ (77,844)</b>	<b>(29,937)</b>

(iv) Finance costs

	<b>2020</b>	<b>2019</b>
Interest expense	<b>\$ 2,894</b>	<b>1,853</b>

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

The business of the customer of the Company is the manufacturing of the printed circuit board. As of December 31, 2020 and 2019, the accounts receivable that concentration of credit risk on an individual customer amounted to \$331,652 thousand and \$140,556 thousand, respectively.

(ii) Liquidity risk

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

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Long-term borrowings (including deferred income)	\$ 220,000	224,405	18,161	171,731	34,513
Notes payable	216	216	216	-	-
Accounts payable	228,059	228,059	228,059	-	-
Accounts payable from related parties	40,788	40,788	40,788	-	-
Other payables	284,794	284,794	284,794	-	-
Other payables from related parties	69,615	69,615	69,615	-	-
Lease liabilities	74,639	93,652	10,326	18,624	64,702
	<b>\$ 918,111</b>	<b>941,529</b>	<b>651,959</b>	<b>190,355</b>	<b>99,215</b>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Notes payable	993	993	993	-	-
Accounts payable	344,092	344,092	344,092	-	-
Accounts payable from related parties	31,789	31,789	31,789	-	-
Other payables	377,861	377,861	377,861	-	-
Other payables from related parties	58,358	58,358	58,358	-	-
Lease liabilities	100,166	123,491	10,602	29,225	83,664
	<b>\$ 913,259</b>	<b>936,584</b>	<b>823,695</b>	<b>29,225</b>	<b>83,664</b>

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

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
<b>December 31, 2020</b>			
Financial assets:			
Monetary items:			
USD	\$	31,338	28.4800
CNY	\$	105,130	4.3770
Financial liabilities:			
Monetary items:			
USD	\$	1,774	28.4800
CNY	\$	13,093	4.3770
<b>December 31, 2019</b>			
Financial assets:			
Monetary items:			
USD	\$	37,833	30.0360
CNY	\$	71,779	4.3100
Financial liabilities:			
Monetary items:			
USD	\$	2,154	30.0360
CNY	\$	10,696	4.3100

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, receivables, accounts payables that are denominated in foreign currency. A weakening or strengthening 3% appreciation or depreciation of the NTD against the USD and CNY as of December 31, 2020 and 2019, would have increased or decreased the net profit after tax by \$29,876 thousand and \$32,038 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Company 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 years ended December 31, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portion) amounted to \$(69,520) thousand and \$(29,785) thousand.

(Continued)

**MACHVISION INC. CO., LTD.****Notes to the Parent Company Only Financial Statements****(iv) Interest rate analysis**

Please refer to the note on liquidity risk management for the interest rate exposure of the Company financial assets and liabilities.

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

If the interest rate had increased or decreased by 1%, the net income before tax would have increase or decrease by \$10,981 thousand and \$3,822 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remain constant. This is mainly due from the Group's cash in bank on variable rates.

(Continued)

# MACHVISION INC. CO., LTD.

## Notes to the Parent Company Only Financial Statements

### (v) Information of fair value

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

Except for the followings, carrying amount of the Company'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.

		December 31, 2020			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,644	-	-	9,644	9,644
Financial assets measured at amortized cost					
Cash and cash equivalents	1,374,032	-	-	-	-
Accounts, notes and long-term receivables(including related parties)	1,410,160	-	-	-	-
Other payables from related parties	24,579	-	-	-	-
Refundable deposits	8,720	-	-	-	-
Other non-current assets	16,296	-	-	-	-
Subtotal	2,833,787	-	-	-	-
Total	\$ 2,843,431	-	-	9,644	9,644
Financial liabilities measured at amortized cost					
Long-term borrowings (including deferred income)	\$ 220,000	-	-	-	-
Notes payable	216	-	-	-	-
Accounts payable	228,059	-	-	-	-
Accounts payable from related parties	40,788	-	-	-	-
Other payables	284,794	-	-	-	-
Other payables from related parties	69,615	-	-	-	-
Lease liabilities	74,639	-	-	-	-
Total	\$ 918,111	-	-	-	-

(Continued)

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

## **Notes to the Parent Company Only Financial Statements**

	<b>December 31, 2019</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,644	-	-	9,644	9,644
Financial assets measured at amortized cost					
Cash and cash equivalents	478,550	-	-	-	-
Accounts, notes and long-term receivables	1,436,040	-	-	-	-
Other payables from related parties	25,667	-	-	-	-
Refundable deposits	9,716	-	-	-	-
Other non-current assets	7,401	-	-	-	-
Subtotal	1,957,374	-	-	-	-
Total	<b>\$ 1,967,018</b>	<b>-</b>	<b>-</b>	<b>9,644</b>	<b>9,644</b>
Financial liabilities measured at amortized cost					
Notes payable	\$ 993	-	-	-	-
Accounts payable	344,092	-	-	-	-
Accounts payable from related parties	31,789	-	-	-	-
Other payables	377,861	-	-	-	-
Other payables from related parties	58,358	-	-	-	-
Lease liabilities	100,166	-	-	-	-
Total	<b>\$ 913,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Continued)

## MACHVISION INC. CO., LTD.

### Notes to the Parent Company Only Financial Statements

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

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

If the financial instruments have no quoted market price in an active market, the Company 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 Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

- 4) Reconciliation of Level 3 fair values

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

(Continued)

# MACHVISION INC. CO., LTD.

## Notes to the Parent Company Only Financial Statements

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

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss — Equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>• Price book ratio (As of December 31, 2020 and December 31, 2019 were 2.44 and 2.6, respectively)</li> <li>• P/E ratio (As of December 31, 2020 and December 31, 2019 were 19.84 and 11.77, respectively)</li> <li>• Market illiquidity discount rate (As of December 31, 2020 and December 31, 2019 were 30%)</li> </ul>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> <li>• the price book ratio and the P/E ratio the were higher (lower)</li> <li>• the market illiquidity discount were lower (higher)</li> </ul>

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

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

			<u>Other comprehensive income</u>	
	<u>Input</u>	<u>Assumptions</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2020</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	4,002	(4,002)
<b>December 31, 2019</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	3,917	(3,917)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(Continued)



## MACHVISION INC. CO., LTD.

### Notes to the Parent Company Only Financial Statements

(t) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note has the information on risk exposure and the objectives, policies and process of risk measurement and management. For detailed information, please refer to the related note on each risk.

(ii) Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The chairman and the general manager are responsible for developing and monitoring the Company's risk management policies and report regularly to the Board of Directors on its activities.

The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments securities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the demographics of the Company's customer base, including the default risk of the industry and the country in which customers operate, as these factors may have an influence on credit risk.

The Company's receivables are mainly due to one customer, which account for 24% and 10% of the total amount of receivables as of December 31, 2020 and 2019, respectively. The Company's receivables are concentrated on the industry type of the printed circuit board manufacturers.

The Company has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

If the Company retains the rights to the products that have already been sold, the Company shall also have the right to require collateral if payment has not been received. The Company does not require any collateral for receivables.

(Continued)

# MACHVISION INC. CO., LTD.

## Notes to the Parent Company Only Financial Statements

The Company has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

### (iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short term bank facilities of \$1,233,057 thousand and \$1,000,000 thousand, as of December 31, 2020 and 2019, respectively.

### (v) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Company's income or the value of its holding of financial instrument. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimizing the return.

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements.

### (u) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 1,144,180	989,191
Less: cash and cash equivalents	1,374,032	478,550
Net debt	<u><u>\$ (229,852)</u></u>	<u><u>510,641</u></u>
Total equity	<u><u>\$ 2,518,707</u></u>	<u><u>1,909,900</u></u>
Debt-to-capital ratio	<u><u>- %</u></u>	<u><u>26.74%</u></u>

As of December 31, 2020, there was no change in the Company's approach of capital management.

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(v) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Acquisition right-of-use assets	Lease modifications	Interest	
Long-term borrowings (including deferred income)	\$ -	220,000	-	-	-	220,000
Lease liabilities	100,166	(10,844)	8,185	(24,056)	1,188	74,639
Total liabilities from financing activities	<u>\$ 100,166</u>	<u>209,156</u>	<u>8,185</u>	<u>(24,056)</u>	<u>1,188</u>	<u>294,639</u>

  

	January 1, 2019	Cash flows	Non-cash changes			December 31, 2019
			Acquisition right-of-use assets	Lease modifications	Interest	
Lease liabilities	\$ 70,268	(8,300)	41,877	(5,532)	1,853	100,166
Total liabilities from financing activities	<u>\$ 70,268</u>	<u>(8,300)</u>	<u>41,877</u>	<u>(5,532)</u>	<u>1,853</u>	<u>100,166</u>

(7) **Related party transactions**

(a) Parent Company and the ultimate controller

The Company is the ultimate controller of the Company and its subsidiaries.

(b) Related party name and categories

Related parties with transactions containing the financial statement period to the Company were as follows:

<b>Related Party Name</b>	<b>Related Party Categories</b>
Machvision (Dongguan) Inc.	A subsidiary of the Company
Machvision Inc.	A subsidiary of the Company
Autovision Technology Inc.	A subsidiary of the Company
Sigold Optics Inc.	A subsidiary of the Company
ChipAI Co., LTD.	A subsidiary of the Company
MiM Tech. Inc.	The subsidiary disposed of all the shares of MiM Tech. Inc. at December, 2020.
RedPay Co., Ltd.	A subsidiary of the Company
Avountes Inc.	A subsidiary of the Company
Machvision Korea Co., Ltd.	A subsidiary of the Company
Machvision Holding (SAMOA) Limited	Machvision Holding (Samoa) Limited was under closure of liquidation at September, 2020.
Guandong Greatsense Intelligent Equipment Co., Ltd.	The subsidiary disposed of all the shares of Guandong Greatsense Intelligent Equipment Co., Ltd. at January, 2020.

(c) Significant transaction between related parties

(i) Operating revenue

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

Significant sales amount to the related parties was as follows:

	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 236,172</u>	<u>191,893</u>

Sales price to the subsidiaries depends on the Group overall profit allocation and its credit period depends on the end customer's credit period. There was no significantly difference. Receivables between related parties were not provided to be as any collateral. After evaluating, there is no allowance for impairment.

(ii) Purchases

Significant purchases amount to the related parties was as follows:

	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 11,446</u>	<u>11,916</u>

Purchases from related parties were not comparable to third parties because there were according to the customized specification. The terms of purchases to related parties were not significantly different from those of purchases to third parties.

(iii) Service

The Company authorized related parties to research and develop products, which were recorded under operating costs:

	<u>2020</u>	<u>2019</u>
Subsidiaries		
Sigold Optics Inc.	\$ 29,245	27,706
Others	<u>2,673</u>	-
	<u>\$ 31,918</u>	<u>27,706</u>

(iv) Administrative service and revenue from research and development

The Company was authorized to provide administrative services, research and development services. Revenue from above services and subleasing offices were recorded under non operating income and expenses-other:

	<u>2020</u>	<u>2019</u>
Subsidiaries		
Sigold Optics Inc.	\$ 9,953	7,220
RedPay Co., Ltd.	1,382	4,190
Autovision Technology Inc.	3,133	-
ChipAI Co., LTD.	5,086	4,833
Others	<u>2,877</u>	255
	<u>\$ 22,431</u>	<u>\$ 16,498</u>

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(v) Receivables from related parties

The Company's receivables from related parties were as follows:

Items	Related Party Categories	December 31, 2020	December 31, 2019
	Subsidiaries		
Receivables from related parties	Machvision (Dongguan) Inc.	\$ 192,688	148,056
Receivables from related parties	Others	11,009	38,921
	Subsidiaries		
Long term receivables from related parties	Machvision (Dongguan) Inc.	222,779	151,262
Long term receivables from related parties	Others	35,224	4,288
	Subsidiaries		
Other receivables from related parties	Machvision (Dongguan) Inc.	6,262	6,221
Other receivables from related parties	RedPay Co., Ltd.	1,160	5,183
Other receivables from related parties	ChipAI Co., LTD.	2,018	4,948
Other receivables from related parties	Sigold Optics Inc.	5,182	9,133
Other receivables from related parties	Autovision Technology Inc.	2,153	-
Other receivables from related parties	SISSCA Co., Ltd.	5,548	-
Other receivables from related parties	Avountes Inc.	2,256	-
Other receivables from related parties	Others	-	182
		<u>\$ 486,279</u>	<u>368,194</u>

(vi) Payable to related parties

The Company's payable to related parties were as follows:

Items	Related Party Categories	December 31, 2020	December 31, 2019
	Subsidiaries		
Payable to related parties	Sigold Optics Inc.	\$ 32,416	23,996
Payable to related parties	Others	8,372	7,793
	Subsidiaries		
Other payable to related parties	Machvision (Dongguan) Inc.	64,115	58,358
Other payable to related parties	Others	5,500	-
		<u>\$ 110,403</u>	<u>90,147</u>

(d) Compensation of key management personnel:

The compensation of the key management personnel comprised follows:

	2020	2019
Short-term employee benefits	\$ 39,884	91,799
Post-employment benefits	324	222
	<u>\$ 40,208</u>	<u>92,021</u>

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other non-current assets:			
Time deposits	Guarantee for customs	\$ 1,511	1,509
Time deposits	Guarantee for rent the land from the Hsinchu Science Park Bureau	4,478	5,892
Time deposits	Guarantee for Sales agreement	10,307	-
		<b>\$ 16,296</b>	<b>7,401</b>

**(9) Commitments and contingencies: None.**

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other**

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

<b>By function</b>	<b>2020</b>			<b>2019</b>		
	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
<b>By item</b>						
Employee benefits						
Salary	73,697	208,978	282,675	77,119	217,114	294,233
Labor and health insurance	7,813	15,691	23,504	8,021	10,361	18,382
Pension	4,307	8,773	13,080	4,266	5,672	9,938
Directors' remuneration	-	10,623	10,623	-	17,931	17,931
Others	6,994	16,850	23,844	10,769	19,155	29,924
Depreciation	12,000	18,613	30,613	7,472	10,493	17,965
Amortization	-	110	110	-	110	110

Additional information in 2020 and 2019 is as follows:

	<b>2020</b>	<b>2019</b>
Employee number	<b>283</b>	<b>254</b>
Non-employee directors	<b>7</b>	<b>7</b>
Average employee benefits	<b>\$ 1,243</b>	<b>1,427</b>
Average salaries	<b>\$ 1,024</b>	<b>1,191</b>
Average adjustment in salaries	<b>(14.02)%</b>	<b>(26.48)%</b>
Supervisors compensation	<b>\$ -</b>	<b>-</b>

(Continued)

# MACHVISION INC. CO., LTD.

## Notes to the Parent Company Only Financial Statements

The Company's policies on remuneration (including directors, managers and employees) are as following:

Directors' remuneration is estimated in accordance with each director's attendance rate (60% of total compensation) and contribution (40% of total compensation). Managers' remuneration is estimated in accordance with the achievement of performance indicators. In addition to basic salaries, employees also have year-end bonus and performance bonus. Salaries will be adjusted in accordance with performances and price levels annually.

### (13) Other disclosures

#### (a) Information on significant transactions:

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

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the company										
0	The Company	The Company (Note 1)	1	251,871	1,511	1,511	1,511	1,511	0.06%	503,741	N	N	N

Note 1: The guarantee for customs

Note 2: The guarantee's relationship with the guarantor is as follows:

- (1) A company that has business transaction with another company.
- (2) A public company which, directly or indirectly, holds more than 50 percent of the voting shares.
- (3) A company that, directly or indirectly, holds more than 50 percent of the voting shares in the public company.
- (4) A public company which, directly or indirectly, holds 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company wherein all its capital contributing shareholders can make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies within the same industry that provide joint and several security among themselves for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 3: The total amount of guarantee provided by the Company shall not exceed 20% of the Company's net worth. The total amount of guarantee provided by the Company to any individual entity shall not exceed 10% of the Company's net worth.

#### (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Notes
				Number of shares	Book value	Holding percentage	Market value	
The Company	Yayatech Co., Ltd.	-	Financial assets at fair value through profit or loss	884,000	9,644	5 %	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	

(Continued)

# MACHVISION INC. CO., LTD.

## Notes to the Parent Company Only Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$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)	(187,791)	(8)%	Depends on the end customer's credit period	Not significantly differences	Depends on the end customer's credit period	415,467	29%	

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

Name of related party	Counter-party	Relationship	Balance of receivables from related party (note 3)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowance for bad debts
					Amount	Action taken		
The Company	Machvision (Dongguan) Inc.	Subsidiary	415,467	0.53	177,396	Depends on the end customer's credit period	42,669 (Until February 3, 2021)	-

- (ix) Trading in derivative instruments: None.

(Continued)



## MACHVISION INC. CO., LTD.

### Notes to the Parent Company Only Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses) (Note 2)	Notes
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
The Company	Machvision Inc.	Samoa	Investment	105,433	62,422	3,463,650	100.00%	(10,918)	(32,389)	(32,389)	Note 1
The Company	Machvision Holding (Samoa) Limited	Samoa	Investment	-	22,992	-	- %	-	(2,880)	(2,880)	Note 1
The Company	Autovision Technology Inc.	Taiwan	Manufacturing of computer peripheral products	9,000	9,000	900,000	45.00%	10,531	443	200	
The Company	Sigold Optics Inc.	Taiwan	Manufacturing of machinery equipment	49,470	49,470	6,316,330	49.47%	67,303	3,877	1,918	
The Company	Machvision Korea Co., Ltd.	Korea	Maintaining and trading of machinery equipment	21,542	21,542	10,000	100.00%	8,224	(5,733)	(5,733)	
The Company	ChipAI Co., LTD.	Taiwan	Manufacturing of computer peripheral products	18,000	18,000	1,800,000	90.00%	7,648	(6,276)	(5,649)	
The Company	MiM Tech. Inc.	Taiwan	Manufacturing of computer peripheral products	-	24,244	-	- %	-	(4,252)	(1,742)	
The Company	RedPay Co., Ltd.	Taiwan	Electronic Information Supply Services	10,000	10,000	500,000	50.00%	6,344	(2,129)	(1,065)	
The Company	Avoutones Inc.	Taiwan	Electronic Information Supply Services	5,714	-	400,000	40.00%	4,667	(2,619)	(1,047)	
Sigold Optics Inc.	SISSCA Co., Ltd.	Taiwan	Manufacturing of computer peripheral products	7,700	-	770,000	70.00%	5,838	(2,661)	(1,863)	

Note 1: The company is a limited company.

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

(c) Information on investment in mainland China:

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

Name of investee investment in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Beginning remittance balance - cumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)		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 2)	Book value	Remittance of investment income in current period
					Invested amount	Returned amount						
Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	105,361	(2)i	62,350	43,011	-	105,361	(32,394)	100%	(32,394)	(2,681)	-
Dongguan muxin intelligent equipment Co., Ltd	Maintaining and trading of machinery equipment	4,220	(4)i	-	-	-	-	(2,375)	51%	(1,211)	975	-

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 investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

(Continued)

**MACHVISION INC. CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Limitation on investment in Mainland China:

<b>Company name</b>	<b>Accumulated investment amount in Mainland China as of December 31, 2019</b>	<b>Investment (amount) approved by Investment Commission, Ministry of Economic Affairs</b>	<b>Maximum investment amount set by Investment Commission, Ministry of Economic Affairs</b>
The Company	105,361	105,361	1,511,224 (Note)

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

(iii) Significant transactions:

Please refer to "Business relationships and significant intercompany transaction" for the indirect and direct business transactions in China.

(d) Information of major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Nan Shan Life Insurance Company, Ltd.	3,176,000	7.10%

**(14) Segment information:**

Please refer to the consolidated financial statements in 2020.

(Continued)

MACHVISION INC. CO., LTD.  
Statement of cash and cash equivalents  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount
Cash		\$ 1,352
Cash in banks	Demand deposits	954,728
	Foreign currency deposits	
	USD 2,681 thousand	75,324
	CNY 7,360 thousand	31,760
	JPY 2,001 thousand	545
	Time deposits (From 2021.01.03 to 2021.12.05, interest rates at 0.34%-0.82%)	
	NTD	<u>310,323</u>
		<u>\$ 1,374,032</u>
Total		

MACHVISION INC. CO., LTD.  
Statement of notes receivable  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Non-related party			
5M00081	Operating	\$ 45	
5M00055	Operating	43	
5M00211	Operating	42	
5M00492	Operating	31	
Others (The amount of individual group in others does not exceed 5% of the note balance)	Operating	14	
		<u>\$ 175</u>	

# MACHVISION INC. CO., LTD.

## Statement of Accounts receivable, net

December 31, 2020

(In thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Related Party			
Machvision (Dongguan) Inc.	Operating	\$ 192,688	
Sigold Optics Inc.	"	5,675	
Machvision Korea Co., Ltd.	"	5,334	
		<u>203,697</u>	
Non-related party			
Group E	Operating	311,647	
Group D	"	86,662	
Group G	"	61,640	
Group H	"	45,881	
Group I	"	40,832	
Group C	"	38,628	
Others (The amount of individual group in others does not exceed 5% of the account balance)		<u>267,272</u>	
		852,562	
Less: Allowance for credit impairment loss		<u>45,309</u>	
		<u>807,253</u>	
Total		<u>\$ 1,010,950</u>	

MACHVISION INC. CO., LTD.  
Statement of inventories  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Amount		Note
	Cost	Net realizable value	
Finished goods	\$ 87,527	\$ 186,167	1
Work in process	84,777	74,917	"
Raw materials	<u>224,810</u>	<u>189,485</u>	"
Total	397,114	<u>\$ 450,569</u>	
Less: Allowance for losses on decline in market value of inventory	<u>58,121</u> <u>\$ 338,993</u>		

Note 1: Market value is measured at net realizable value.

MACHVISION INC. CO., LTD.  
Statement of prepayments  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Prepaid expenses		\$ 2,723	
Prepayment for purchases		<u>17</u>	
		<u>\$ 2,740</u>	

MACHVISION INC. CO., LTD.  
Statement of other current assets  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Temporary debits		\$ 5	
Overpaid sales tax		<u>5,108</u>	
		<u>\$ 5,113</u>	



# MACHVISION INC. CO., LTD.

## Statement of changes in financial assets measured at fair value through profit or loss - non-current

For the year ended December 31, 2020

(In thousands of New Taiwan Dollar)

Name of financial instrument	Beginning balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares or units	Fair value	Shares or units	Amount	Shares or units	Amount	Shares or units	Fair value		
Yayatech Co., Ltd.	884	<u>\$ 9,644</u>	-	<u>-</u>	-	<u>-</u>	884	<u>\$ 9,644</u>	NA	

# MACHVISION INC. CO., LTD.

## Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(In thousands of New Taiwan Dollar)

Name of investee	Beginning balance		Addition		Decrease		Ending balance			Market value or net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount		
Autovision Technology Inc.	900,000	\$ 10,331	-	200	-	-	900,000	45.00	10,531	11.70	10,531	NA	1
Sigold Optics Inc.	5,540,640	65,385	775,690	1,918	-	-	6,316,330	49.47	67,303	10.66	67,303	NA	2
ChipAI Co., LTD.	1,800,000	13,297	-	-	-	5,649	1,800,000	90.00	7,648	4.25	7,648	NA	3
MiM Tech. Inc.	836,000	23,334	-	-	836,000	23,334	-	-	-	-	-	NA	4
RedPay Co., Ltd.	500,000	7,409	-	-	-	1,065	500,000	50.00	6,344	12.69	6,344	NA	5
Machvision Korea Co., Ltd.	10,000	14,075	-	-	-	5,851	10,000	100.00	8,224	822.42	8,224	NA	6
Machvision Holding Inc.	1,600,000	30,726	-	-	1,600,000	30,726	-	-	-	-	-	NA	7
Avountes Inc.	-	-	400,000	5,714	-	1,047	400,000	40.00	4,667	11.67	4,667	NA	8 & 9
SAMOA Machvision Inc.	2,003,440	<u>(16,698)</u>	1,460,210	<u>43,011</u>	-	<u>37,231</u>	3,463,650	100.00	<u>(10,918)</u>	(0.72)	<u>(2,490)</u>	NA	10 & 11
		<u>\$ 147,859</u>		<u>50,843</u>		<u>104,903</u>			<u>93,799</u>		<u>102,227</u>		

Note 1: Including investment income recognized under equity method 200 thousand.

Note 2: Including investment income recognized under equity method 1,918 thousand.

Note 3: Including investment loss recognized under equity method (5,649) thousand.

Note 4: Proceeds from capital reduction of investment 5,016 thousand, cash dividends paid (capital surplus) 6,229 thousand, disposal of subsidiaries 10,347 thousand and investment loss recognized under equity method (1,742) thousand.

Note 5: Including investment loss recognized under equity method (1,065) thousand.

Note 6: Including investment loss recognized under equity method (5,733) thousand and financial statements translation differences for foreign operations (118) thousand.

Note 7: Cash dividends paid 5,621 thousand, liquidation of subsidiary 21,505 thousand, investment loss recognized under equity method (2,880) thousand and financial statements translation differences for foreign operations (720) thousand.

Note 8: Addition includes investment 5,714 thousand.

Note 9: Including investment loss recognized under equity method (1,047) thousand.

Note 10: Addition includes investment 43,011 thousand.

Note 11: Including investment loss recognized under equity method (32,389) thousand, financial statements translation differences for foreign operations (262) thousand and unrealized gain from sale (4,580) thousand.

MACHVISION INC. CO., LTD.  
Statement of other non-current assets  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Restricted deposit		\$ <u>16,296</u>	

MACHVISION INC. CO., LTD.  
Statement of Accounts payable  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Non-related party			
1M0019	Operating	\$ 29,584	
1M1529	"	23,376	
1M1531	"	11,803	
Others (The amount of individual group in others does not exceed 5% of the account balance)	"	<u>163,296</u>	
Total		<u>\$ 228,059</u>	

MACHVISION INC. CO., LTD.  
Statement of other payables  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Payable for salaries and bonuses		\$ 109,029	
Accrued profit sharing bonus to employees and compensation to directors		77,901	
Payable for commission		57,325	
Other		<u>40,539</u>	
Total		<u>\$ 284,794</u>	

MACHVISION INC. CO., LTD.  
Statement of other current liabilities  
December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Receipts under custody		\$ 1,618	
Temporary receipts		167	
Total		<u>\$ 1,785</u>	

**MACHVISION INC. CO., LTD.**  
**Statement of net revenue**  
**For the year ended December 31, 2020**  
**(In thousands of New Taiwan Dollar)**

Item	Quantity	Amount	Note
Optical inspection machinery equipment	-	\$ 2,197,097	1
Service	-	<u>66,228</u>	
		<u>\$ 2,263,325</u>	

Note 1: Including sales returns and discounts 20,650 thousand.

**MACHVISION INC. CO., LTD.**  
**Statement of operating costs**  
**For the year ended December 31, 2020**  
**(In thousands of New Taiwan Dollar)**

Item	Amount	
	Subtotal	Total
Direct raw materials		
Beginning of year	\$ 209,034	
Add: Purchases	634,108	
Deduct: End of year	224,810	
Selling	53,302	
Loss on Raw material	30	
Other	28,666	
Subtotal	536,334	
Direct labor	36,845	
Manufacturing expenses	51,084	
Manufacturing cost	624,263	
Add: Work-in -process inventory, beginning of year	88,925	
Purchases and outsourced manufacturing of work-in -process inventory	8,467	
Deduct: Work-in process inventory, end of year	84,777	
Selling work-in process inventory	13,987	
Loss on Work-in-process inventory	1	
Other	3,600	
Cost of finished goods	619,290	
Add: Finished goods, beginning of year	112,841	
Deduct: Finished goods, end of year	87,527	
Scrapped finished goods	1,263	
Other	2,225	
Total cost of sales		641,116
Selling raw materials		53,302
Selling work-in process inventory		13,987
Loss on physical count		31
Losses on decline in market value and scrapping of inventory Purchases		11,703
Warranty provisions		17,383
Other		111,192
Total operating costs		\$ 848,714



MACHVISION INC. CO., LTD.  
Statement of selling expenses  
For the year ended December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Salaries		\$ 41,878	
Travelling expenses		3,033	
Commission		69,077	
Export fee		11,863	
Other		22,940	
		<u>\$ 148,791</u>	

MACHVISION INC. CO., LTD.  
Statement of administrative expenses  
For the year ended December 31, 2020  
(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Salaries		\$ 42,373	
Remuneration to directors		10,623	
Depreciation		10,404	
Employee benefits		4,698	
Professional service fee		3,900	
Other		<u>30,154</u>	
		<u>\$ 102,152</u>	

**MACHVISION INC. CO., LTD.**  
**Statement of research and development expenses**  
**For the year ended December 31, 2020**  
**(In thousands of New Taiwan Dollar)**

Item	Description	Amount	Note
Salaries		\$ 133,500	
Employee benefits		4,838	
Insurance		10,749	
Travelling expenses		5,095	
R & D expenses		45,799	
Professional service fee		1,293	
Other		19,882	
		<u>\$ 221,156</u>	

Statement of changes in property, plant and equipment please see the financial statements note 6(f).

Statement of changes in accumulated depreciation of property, plant and equipment please see the financial statements note 6(f).

Statements of changes in right-of-use assets please see the financial statements note 6(g).

Statement of changes in accumulated depreciation of right-of-use assets please see the financial statements note 6(g).

Statements of changes in intangible assets please see the financial statements note 6(h).