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PEGAVISION CORPORATION
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2020 AND 2019
AND FOR THE YEARS THEN ENDED

Address: No.5 Shing Yeh Street, GuiShan District, Taoyuan City, Taiwan 33341
Telephone: (03)329-8808

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Parent-company-only financial statements
Index

安永聯合會計師事務所
33045桃園市桃園區中正路1088號27樓
27F, No. 1088, Zhongzheng Road, Taoyuan District, Taoyuan City, Taiwan, R.O.C.
Tel: 886 3 319 8888
Fax: 886 3 319 8866
www.ey.com/tw

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INDEPENDENT AUDITORS' REPORT

To: the Board of Directors and Shareholders of
Pegavision Corporation

Opinion

We have audited the accompanying parent-company-only balance sheets of Pegavision Corporation (the "Company") as of December 31, 2020 and 2019, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as "the parent-company-only financial statements").

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2020 and 2019, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of 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 Attestation of Financial Statements by Certified Public Accountants and 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 Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$3,836,666 thousand for the year ended December 31, 2020 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Japan, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the financial statements.

Market valuation on Inventory

We determined the market valuation on inventory is also one of key audit matters. The Company's net inventory amounted to NT$291,848 thousand, representing 5% of total assets, as of December 31, 2020, which is significant to the Company's financial statements. The market of the Company's main products, is characterized by fierce competition and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value.

Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to assessment the loss from slow-moving inventory and phased-out items, (including identification method, testing the accuracy of inventory aging schedule, analysis on inventory movement), evaluating the physical inventory stock take plan report provided by the management and choose the significant location to perform the observation, and inspecting the current status of inventory usage, etc. We also evaluated the appropriateness of related disclosure in the Note 5 and 6 to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of the 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 parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 parent-company-only 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 parent-company-only 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 internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's 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 parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only 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 parent-company-only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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 2020 parent-company-only financial statements 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.

/s/Cheng,Ching-Piao

/s/Kuo,Shao-Pin

Ernst & Young
Taiwan, R.O.C
January 29th, 2021

Notice to Readers

The accompanying parent-company-only financial statements are intended only to present the parent-company-only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to audit such financial parent-company-only statements are those generally accepted and applied in the Republic of China on Taiwan.

Accordingly, the accompanying parent-company-only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Pegavision Corporation
Parent-Company-Only Balance Sheets
As of December 31, 2020 and 2019
(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2020		2019	
Code	Accounts	Notes	Amount	%	Amount	%
11XX	Current assets					
1100	Cash and cash equivalents	4,6(1)	$952,903	15	$589,701	11
1110	Financial assets at fair value through profit or loss	4,6(2)	566,769	9	316,120	6
1170	Accounts receivable, net	4,6(3)	258,283	4	92,997	2
1180	Accounts receivable - related parties, net	4,6(3),7	582,063	9	322,474	6
1200	Other receivables		3,680	-	2,338	-
1310	Inventories, net	4,6(4)	291,848	5	502,797	10
1410	Prepayments		42,177	1	18,882	1
1470	Other current assets		26,309	-	9,309	-
11XX	Total current assets		2,724,032	43	1,854,618	36
15XX	Non-current assets					
1550	Investment accounted for under equity method	4,6(5)	54,156	1	62,539	1
1600	Property, plant and equipment, net	4,6(6),8	3,085,192	49	3,023,144	58
1755	Right-of-use assets, net	4,6(17)	95,539	2	150,715	3
1780	Intangible assets, net	4,6(7)	6,296	-	4,536	-
1840	Deferred tax assets	4,6(21)	14,035	-	3,949	-
1900	Other non-current assets	6(6),6(8),7,8,9	303,997	5	113,778	2
15XX	Total non-current assets		3,559,215	57	3,358,661	64
1XXX	Total Assets		$6,283,247	100	$5,213,279	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Pegavision Corporation
Parent-Company-Only Balance Sheets (Continued)
As of December 31, 2020 and 2019
(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2020		2019	
Code	Accounts	Notes	Amount	%	Amount	%
21XX	Current liabilities					
2100	Short-term borrowings	6(9)	$367,890	6	$128,914	2
2130	Contract liabilities	6(15), 7	39,635	1	31,448	1
2150	Notes payable		554	-	3,730	-
2170	Accounts payable		144,089	2	99,619	2
2200	Other payables	6(10), 7	805,619	13	622,460	12
2230	Current tax liabilities	4,6(21)	62,274	1	21,049	-
2280	Lease liabilities	4,6(17)	38,317	-	109,912	2
2300	Other current liabilities	6(11),6(12),7,8	132,320	2	86,076	2
21XX	Total current liabilities		1,590,698	25	1,103,208	21
25XX	Non-current liabilities					
2540	Non-current portion of long-term borrowings	6(12),8	14,705	-	-	-
2570	Deferred tax liabilities	4,6(21)	23,366	1	8,623	-
2580	Lease liabilities	4,6(17)	57,895	1	46,981	1
2645	Guarantee deposits received	7	634	-	762	-
2670	Other non-current liabilities		234	-	-	-
25XX	Total non-current liabilities		96,834	2	56,366	1
2XXX	Total liabilities		1,687,532	27	1,159,574	22
3100	Capital	6(14)				
3110	Common stock		700,000	11	700,000	14
3200	Capital surplus	6(14)	1,804,928	29	1,804,928	35
3300	Retained earnings	6(14)				
3310	Legal reserve		171,179	3	123,630	2
3320	Special reserve		9,795	-	5,237	-
3350	Unappropriated retained earnings		1,917,956	30	1,429,704	27
3400	Other equity interest		(8,143)	-	(9,794)	-
3XXX	Total equity		4,595,715	73	4,053,705	78
	Total liabilities and equity		$6,283,247	100	$5,213,279	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Pegavision Corporation
Parent-Company-Only Statements of Comprehenstve Income
For the Years Ended December 31, 2020 and 2019
(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue	4,6(15),7	$3,836,666	100	$3,096,188	100
5000	Operating costs	6(3),7	(1,985,728)	(52)	(1,804,453)	(58)
5900	Gross profit from operations		1,850,938	48	1,291,735	42
5910	Unrealized gross profit (loss) from sales		(72,165)	(2)	44,161	1
5950	Gross profit from operations		1,778,773	46	1,335,896	43
6000	Operating expenses	7				
6100	Selling expenses		(417,648)	(11)	(335,227)	(11)
6200	Administrative expenses		(176,322)	(4)	(156,743)	(5)
6300	Research and development expenses		(374,460)	(10)	(279,802)	(9)
6450	Expected credit gains (losses)	6(16)	(3,223)	-	2,192	-
	Operating expenses total		(971,653)	(25)	(769,580)	(25)
6900	Operating income		807,120	21	566,316	18
7000	Non-operating income and expenses	6(19)				
7100	Interest income		4,157	-	3,178	-
7010	Other income		11,791	-	7,761	-
7020	Other gains and losses		(25,654)	-	(19,213)	-
7050	Finance costs		(3,789)	-	(21,865)	-
7060	Share of profit or loss of subsidiaries, associates and joint ventures	4,6(5)	22,906	-	11,138	-
	Non-operating income and expense total		9,411	-	(19,001)	-
7900	Income from continuing operations before income tax		816,531	21	547,315	18
7950	Income tax	4,6(21)	(101,172)	(2)	(71,823)	(3)
8200	Net income		715,359	19	475,492	15
8300	Other comprehensive income (loss)	6(20)				
8360	Items that may be reclassified subsequently to profit or loss					
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		1,651	-	(4,557)	-
	Total other comprehensive income, net of tax		1,651	-	(4,557)	-
8500	Total comprehensive income		$717,010	19	$470,935	15
9750	Earnings per share - basic (in NT$)	4,6(22)	$10.22		$7.62	
9850	Earnings per share - diluted (in NT$)	4,6(22)	$10.16		$7.56	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Pegavision Corporation
Parent-Company-Only Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(Amounts Expressed in Thousands of New Taiwan Dollars)

	Items	Capital	Capital Surplus	Retained Earnings			Other Components of equity	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	
Code		3100	3200	3310	3320	3350	3410	3XXX
A1	Balance as of January 1, 2019	$600,000	$240,000	$69,515	$4,491	$1,099,073	$(5,237)	$2,007,842
	Appropriation and distribution of 2018 earnings:							
B1	Legal reserve appropriated			54,115		(54,115)		-
B3	Special reserve appropriated				746	(746)		-
B5	Cash dividends - common shares					(90,000)		(90,000)
D1	Net income for 2019					475,492		475,492
D3	Other comprehensive income (loss) for 2019						(4,557)	(4,557)
D5	Total comprehensive income	-	-	-	-	475,492	(4,557)	470,935
E1	Capital increase by cash	100,000	1,564,928					1,664,928
Z1	Balance as of December 31, 2019	$700,000	$1,804,928	$123,630	$5,237	$1,429,704	$(9,794)	$4,053,705
A1	Balance as of January 1, 2020	$700,000	$1,804,928	$123,630	$5,237	$1,429,704	$(9,794)	$4,053,705
	Appropriation and distribution of 2019 earnings:							
B1	Legal reserve appropriated			47,549		(47,549)		-
B3	Special reserve appropriated				4,558	(4,558)		-
B5	Cash dividends - common shares					(175,000)		(175,000)
D1	Net income for 2020					715,359		715,359
D3	Other comprehensive income (loss) for 2020						1,651	1,651
D5	Total comprehensive income	-	-	-	-	715,359	1,651	717,010
Z1	Balance as of December 31, 2020	$700,000	$1,804,928	$171,179	$9,795	$1,917,956	$(8,143)	$4,595,715

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Pegavision Corporation

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2020	2019
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$816,531	$547,315
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation (including right-of-use assets)	598,538	676,594
A20200	Amortization	2,929	1,866
A20300	Expected credit losses (gain)	3,223	(2,192)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(947)	(166)
A20900	Interest expense	3,789	21,865
A21200	Interest income	(4,157)	(3,178)
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	(22,906)	(11,138)
A22500	Loss on disposal of property, plant and equipment	(1,599)	(16)
A23700	Impairment loss on non-financial assets	19,627	12,149
A23900	Unrealized (gains) losses	72,165	(44,161)
A29900	Loss (gain) on lease modification	(160)	(184)
A29900	Loss (gain) on government grants	(21)	-
A30000	Changes in operating assets and liabilities:		
A31115	Financial assets at fair value through profit or loss	(249,702)	(315,954)
A31150	Accounts receivable	(168,509)	41,339
A31160	Accounts receivable - related parties	(259,589)	(15,280)
A31180	Other receivables	(1,330)	303
A31200	Inventories	210,949	198,949
A31230	Prepayments	(23,295)	(2,110)
A31240	Other current assets	(17,000)	3,136
A32125	Contract liabilities	8,187	(124,129)
A32130	Notes payable	(3,176)	2,551
A32150	Accounts payable	44,470	(12,097)
A32180	Other payables	137,679	(70,586)
A32230	Other current liabilities	46,179	22,849
A33000	Cash generated from operations	1,211,875	927,725
A33100	Interest received	4,145	4,371
A33300	Interest paid	(2,151)	(20,481)
A33500	Income tax paid	(55,290)	(257,652)
AAAA	Net cash provided by (used in) operating activities	1,158,579	653,963
BBBB	Cash flows from investing activities:		
B00040	Disposal (acquisition) of financial assets at amortised cost	-	75,281
B01800	Acquisition of investment accounted for under equity method	(40,000)	(47,497)
B01900	Proceeds from disposal of investment accounted for under equity method	775	-
B02700	Acquisition of property, plant and equipment	(709,244)	(1,258,880)
B02800	Proceeds from disposal of property, plant and equipment	1,599	16
B03700	Decrease (increase) in refundable deposits	(5,441)	4,567
B04500	Acquisition of intangible assets	(4,689)	(4,096)
BBBB	Net cash provided by (used in) investing activities	(757,000)	(1,230,609)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term borrowings	238,976	(30,587)
C01600	Increase in long-term borrowings	15,000	1,100,000
C01700	Repayment of long-term borrowings	-	(1,700,000)
C03000	Increase in guarantee deposits received	(128)	(1,297)
C04020	Payments of lease liabilities	(117,225)	(128,486)
C04500	Cash dividends paid	(175,000)	(90,000)
C04600	Capital increase by cash	-	1,664,928
CCCC	Net cash provided by (used in) financing activities	(38,377)	814,558
EEEE	Net Increase (decrease) in cash and cash equivalents	363,202	237,912
E00100	Cash and cash equivalents at beginning of period	589,701	351,789
E00200	Cash and cash equivalents at end of period	$952,903	$589,701

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. HISTORY AND ORGANIZATION

Pegavision Corporation (referred to “the Company”) was established on August 12, 2009. Its main business activities include the manufacture of medical device, optical instrument, precision instrument and sales of the previous related products. The Company’s stocks have been governmentally approved on October 7, 2014 to be listed and traded in Taiwan Over-The-Counter Securities Exchanges starting December 30, 2014, and traded in Taiwan Stock Exchange starting on October 7, 2019. The registered business premise and main operation address is at No.5 Shing Yeh Street, GuiShan District, Taoyuan City, Taiwan 33341.

Kinsus Interconnect Technology Corp. is the Company’s parent, while Pegatron Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on January 29th, 2021.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new strandard and amendment is described below, the remaining new standards and amendments had no material impact on the company.

(a) Covid-19-Related Rent Concessions (Amendments to IFRS 16)

The Company elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after January 1, 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

(2)Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

I. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
II. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
III. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Company.

(3)Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB

b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

(A)IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(B)IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

I. estimates of future cash flows;
II. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
III. A risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(C)Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D)Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

I. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

II. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

III. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

IV. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses that there will be no significant impact on the Company's financial statements then.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2020 and 2019 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2)Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3)Foreign currency transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(A)Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(B)Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.

(C)Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4)Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5)Current and non-current distinction

An asset is classified as current when:

(A)The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(B)The Company holds the asset primarily for the purpose of trading.
(C)The Company expects to realize the asset within twelve months after the reporting period.
(D)The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(A)The Company expects to settle the liability in its normal operating cycle.
(B)The Company holds the liability primarily for the purpose of trading.
(C)The liability is due to be settled within twelve months after the reporting period.
(D)The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7)Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(A)Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting. The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a)The Company’s business model for managing the financial assets and
(b)The contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a)The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b)The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a)Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b)Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

<u>Financial asset measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a)The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b)The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a)A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b)When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c)Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(I)Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(II)Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable elction to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(B)Impairment of financial assets

The Company is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a)An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b)The time value of money; and
(c)Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

(a)At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

(b)At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c)For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

(d)For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(C)Derecognition of financial assets

A financial asset is derecognized when:

(a)The rights to receive cash flows from the asset have expired
(b)The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c)The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(D)Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a)It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b)On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c)It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a)It eliminates or significantly reduces a measurement or recognition inconsistency; or
(b)A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E)Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8)Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(A)In the principal market for the asset or liability, or
(B)In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9)Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows.

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10)Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(A)Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(B)The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11)Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	16.5 years
Machinery and equipment	2~6 years
Transportation equipment	2～6 years
Office equipment	1～6 years
Other equipment	1～11 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss. The asset’s residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12)Leases

The Company assesses whether the 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 for a period of time, the Compamy assesses whether, throughout the period of use, has both of the following:

(A)The right to obtain substantially all of the economic benefits from use of the identified asset; and
(B)The right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(A)fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(B)variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(C)amounts expected to be payable by the lessee under residual value guarantees;
(D)the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(E)payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(A)the amount of the initial measurement of the lease liability;
(B)any lease payments made at or before the commencement date, less any lease incentives received;
(C)any initial direct costs incurred by the lessee; and
(D)an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Company applied the practical expedient to all rent concessions that meet the conditions for it.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(13)Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company’s intangible assets is as follows:

	Cost of Computer Software
Useful economic life	1~5 years
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(14)Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15)Revenue recognition

The Company's revenue arising from contracts with customers mainly includes sale of goods. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is contact lenses and revenue is recognized based on the consideration stated in the contract. The Company recognized an allowance for sale return and discount shall be presented under the caption of refund liabilities within other current liabilities when partial or all considerations received might be returned or a chargeback is expected to occur.

The credit period of the Company's sale of goods is from T/T to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

(16)Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

(19)Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(A) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(B) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(A) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(B)In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized according.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent-company-only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1)Accounts receivables - estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(2)Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(3)Revenue recognition - sale returns and allowances

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

(4)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company’s domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6.CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2020	2019
Cash and petty cash	$3,151	$2,191
Checkings and savings	227,522	224,552
Time deposit	722,230	362,958
Total	$952,903	$589,701

(2)Financial assets at fair value through profit or loss

	As of December 31,	
	2020	2019
Mandatorily measured at fair value through profit or loss:		
Money market fund	$566,455	$316,051
Valuation adjustment	314	69
Total	$566,769	$316,120
Current	$566,769	$316,120
Non-current	-	-
Total	$566,769	$316,120

No financial asset measured at fair value through profit or loss was pledged as collateral.

(3)Accounts receivable and accounts receivable - related parties, net

A.Accounts receivable, net

	As of December 31,	
	2020	2019
Accounts receivable, gross	$263,365	$94,856
Less: loss allowance	(5,082)	(1,859)
Net of allowances	258,283	92,997
Accounts receivable - related parties, gross	582,063	322,474
Less: loss allowance	-	-
Net of allowances	582,063	322,474
Total accounts receivable, net	$840,346	$415,471

B.Accounts receivable were not pledged.

C.Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is NT$845,428 thousand and NT$417,330 thousand as of December 31, 2020 and 2019, respectively. Please refer to Note 6(16) for more details on loss allowance of accounts receivable for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(4)Inventory

A.Details of inventory:

	As of December 31,	
	2020	2019
Merchandises	$7,672	$1,725
Raw materials	32,940	26,045
Supplies	3,018	1,515
Work in process	106,977	295,875
Finished goods	141,241	177,637
Total	$291,848	$502,797

B.For the years ended December 31, 2020 and 2019, the Company recognized NT$1,985,728 thousand and NT$1,804,453 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the year ended December 31, 2020	2019
Loss (Gain) from inventory market decline	$19,425	$30,072
Loss from inventory write-off obselencense	4,207	13,355
Loss (Gain) from physical taking	4	-
Total	$23,636	$43,427

C.The inventories were not pledged.

(5)Investments accounted for under the equity method

	As of December 31, 2020		2019		Note
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership	
Investments in subsidiaries:					
Pegavision Holdings Corporation	$-	-%	$99,820	100.00%	Note 1
Pegavision Japan Inc.	45,842	100%	26,102	100.00%	
Aquamax Corporation	37,675	100%	-	Not applicable	Note 2
Pegavision Contact Lenses (Shanghai) Corporation	106,187	100%	-	Not applicable	Note 3
Unrealized profit	(135,548)		(63,383)	Not applicable	
Total	$54,156		$62,539		

Note 1: For the consideration of reorganization, the equity of Pegavision Holdings Corporation was struck off the register at September 2, 2020.

Note 2: The board of directors decided to set up Aquamax Corporation which is 100% held by the Company at February 10, 2020. The registration was completed at June 15, 2020.

Note 3: For the consideration of reorganization, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to the Company from Pegavision Holdings Corporation. The registration was completed at May 13, 2020.

A. Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method or credit for investment accounted for the equity method. Valuation adjustment is made if deemed necessary.

B. The Company's investments accounted for under the equity method were not pledged.

(6)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Other equipment	Construction in progress and equipment awaiting inspection (including prepayment for equipment)	Total
Cost:								
As of 1/1/2020	$1,317,564	$69,345	$2,775,538	$1,576	$77,162	$725,027	$113,150	$5,079,362
Addition	-	-	93	-	-	-	759,172	759,265
Disposals	-	-	(152,542)	(596)	(7,469)	(22,029)	-	(182,636)
Transfer	-	-	323,027	-	2,395	25,783	(355,894)	(4,689)
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2020	$1,317,564	$69,345	$2,946,116	$980	$72,088	$728,781	$516,428	$5,651,302
As of 1/1/2019	$-	$-	$2,671,754	$1,576	$64,563	$658,861	$586,543	$3,983,297
Addition	-	-	-	-	-	-	1,125,024	1,125,024
Disposals	-	-	(10,695)	-	(3,550)	(10,618)	-	(24,863)
Transfer	1,317,564	69,345	114,479	-	16,149	76,784	(1,598,417)	(4,096)
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2019	$1,317,564	$69,345	$2,775,538	$1,576	$77,162	$725,027	$113,150	$5,079,362
Depreciation and impairment:								
As of 1/1/2020	$-	$3,872	$1,529,883	$1,166	$56,263	$415,748	$-	$2,006,932
Depreciation	-	4,224	389,984	128	10,833	82,954	-	488,123
Impairment loss	-	-	19,305	-	-	322	-	19,627
Disposal	-	-	(152,542)	(596)	(7,469)	(22,029)	-	(182,636)
Transfer	-	-	-	-	-	-	-	-

Other changes	-	-	-	-	-	-	-	-
As of 12/31/2020	$-	$8,096	$1,786,630	$698	$59,627	$476,995	$-	$2,332,046
As of 1/1/2019	$-	$-	$1,092,688	$1,006	$47,173	$334,478	$-	$1,475,345
Depreciation	-	3,872	436,454	160	12,640	91,175	-	544,301
Impairment loss	-	-	11,436	-	-	713	-	12,149
Disposal	-	-	(10,695)	-	(3,550)	(10,618)	-	(24,863)
Transfer	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2019	$-	$3,872	$1,529,883	$1,166	$56,263	$415,748	$-	$2,006,932
Net carrying amount:								
As of 12/31/2020	$1,317,564	$61,249	$1,159,486	$282	$12,461	$251,786	$516,428	$3,319,256
As of 12/31/2019	$1,317,564	$65,473	$1,245,655	$410	$20,899	$309,279	$113,150	$3,072,430

A.Details of property, plant & equipment and prepayment for equipment is as follows:

	As of December 31,	
	2020	2019
Property, plant and equipment	$3,085,192	$3,023,144
Prepayment for equipment	234,064	49,286
Total	$3,319,256	$3,072,430

B.For the years ended December 30, 2020 and 2019, NT$19,627 thousand and NT$12,149 thousand impairment loss represented the write down of certain property, plant and equipment to the recoverable amount. This has been recognized in the statement of comprehensive income. The recoverable value is measured at usage values by the individual units.

C.Please refer to Note 8 for more details on property, plant and equipment under pledge.

(7)Intangible assets

	Computer software
Cost:	
As of January 1, 2020	$18,087
Additions – acquired separately	-

Transfer	4,689
Derecognized upon retirement	-
As of December 31, 2020	$22,776
As of January 1, 2019	$13,991
Additions – acquired separately	-
Transfer	4,096
Derecognized upon retirement	-
As of December 31, 2019	$18,087
Amortization and Impairment:	
As of January 1, 2020	$13,551
Amortization	2,929
Derecognized upon retirement	-
As of December 31, 2020	$16,480
As of January 1, 2019	$11,685
Amortization	1,866
Derecognized upon retirement	-
As of December 31, 2019	$13,551
Carrying amount, net:	
As of December 31, 2020	$6,296
As of December 31, 2019	$4,536

Amounts of amortization recognized for intangible assets are as follows.

	For the year ended December 31,	
	2020	2019
Manufacturing expense	$82	$-
Selling expense	88	45
Administrative expense	2,275	1,674
Research and development expense	484	147
Total	$2,929	$1,866

(8)Other non-current assets

	As of December 31,	
	2020	2019
Refundable deposits	$69,933	$64,492
Prepayment for equipment	234,064	49,286
Total	$303,997	$113,778

(9)Short-term borrowings

	As of December 31,	
	2020	2019
Unsecured bank loans	$367,890	$128,914
Interest Rate (%)	0.66%~0.85%	2.48%~2.83%

The Company’s unused short-term lines of credits amounts to NT$817,075 thousand and NT$770,886 thousand, as at December 31, 2020 and 2019, respectively.

(10)Other payable

	As of December 31,	
	2020	2019
Accrued expenses	$694,429	$556,750
Accrued interest payable	250	102
Payable to equipment suppliers	110,940	65,608
Total	$805,619	$622,460

(11)Other current liabilities

A.Details of other current liabilities

	As of December 31,	
	2020	2019
Other current liabilities	$22,224	$18,604
Refund liability	110,031	67,472

Current portion of long-term borrowings	65	-
Total	$132,320	$86,076

B.The changes in the Company's balances of deferred government grants income for the year ended December 31, 2020 are as follows:

Beginning balance	$-
Received during the period	320
Released to the statement of comprehensive income	(21)
Ending Balance	$299
Current	$65
Non-current	$234

C.Please refer to Note 6(12) for more details on interest rate of deferred government grants income.

(12)Long-term borrowings

A.Details of long-term borrowings:

			As of December 31,		
Debtor	Type of Loan	Maturity	2020	2019	Repayment
Chang Hwa Commercial Bank - Beitou Branch	Credit loan	2020.03.25-2025.03.15	$4,919	$-	Notes 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2020.11.10-2030.10.15	9,786	-	Notes 2
Total			14,705	-	
Less: current portion			-	-	
Non-current portion			$14,705	$-	

Note 1: A term is defined as every 1 months starting from the initial draw-down date. Grace period is 3 years (36 terms). The rest is repayable in installments of equal amount for 24 terms.

Note 2: A term is defined as every 1 months starting from the initial draw-down date. Grace period is 2 years (24 terms). The rest is repayable in installments of equal amount for 96 terms.

B. The interest rate intervals for long-term borrowings are as follows:

	2020	2019
The interest rate intervals(%)	0.95%	1.20%~1.35%

The Company obtained from the Ministry of Economy a low-interest government loan amounting NT$15,000 thousands with a term of 5~10 years and annual interest rates of 0.50% and monthly interest payment on the 15th of each month. The loan was recorded under the caption of other liabilities-deferred government grants income. The Company shall recognize the government grant income when it is reasonably assured that the Company satisfy all the terms of the government grant agreement.

C. Please refer to Note 8 for more details regarding assets pleded for secured bank borrowings.

(13)Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 are NT$31,342 thousand and NT$29,236 thousand, respectively.

Pension for the years ended December 31, 2020 and 2019 were NT$16 thousand and NT$52 thousand, respectively.

(14)Equity

A.Common stock

As of December 31, 2020 and 2019, the Company's authorized capital were NT$800,000 thousand, and paid-in capital were NT$700,000 thousand, each share at par value of NT$10, divided into 70,000 thousand shares. Each share has one voting right and a right to receive dividends.

The Company passed the proposal of cash capital increase, 10,000 thousands shares, by board of directors on July 29, 2019. Except for 15% of new shares, 1,500 thousands shares, for employees to subscribe according to Article 267 of the Company Law, the remaining 8,500 thousands shares were given up by shareholders through the shareholders' meeting on June 16, 2015. The Company consigned the underwriter to underwrite before listing. The proposal of cash capital increase were effectively registered by Taiwan Stock Exchange on August 21, 2019. The base date of capital increase was October 4, 2019.

B.Capital surplus

	As of December 31,	
	2020	2019
Additional paid-in capital	$1,804,928	$1,804,928

According to Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C.Appropriation of earnings and dividend policies

a.Distribution of earnings

According to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order:

I. Payment of all taxes and dues;
II.Offset prior years’ operation losses;
III.Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
IV.Set aside or reverse special reserve in accordance with law and regulations; and
V.The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders’ meeting.

If the above-mentioned dividends are distributed to shareholders in the form of cash, the Board of Directors have been authorized to approve by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and report to the shareholder's meeting.

b.Dividend policy

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Dividends to be distributed in cash for each year shall not be less than 10% of the total dividends paid.

c.Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

d.Special reserve

Pursuant to existing regulations, the Company is required to set additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

e.The appropriations of earnings for the Years 2020 and 2019 were approved through the Board of Directors’ meetings and shareholders’ meetings held on January 29th, 2021 and May 27th, 2020, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2020	2019	2020	2019
Legal reserve	$71,536	$47,549		
Special reserve	(1,652)	4,558		
Cash dividend	350,000	175,000	$5.0	$2.5
Total	$419,884	$227,107		

Please refer to Note 6(18) for details on employees’ compensation and remuneration to directors and supervisors.

(15)Operating revenue

	For the year ended December 31,	
	2020	2019
Revenue from customer contracts		
Sales of goods	$3,836,666	$3,096,188

Analysis of revenue from contracts with customers during the years ended December 31,2020 and 2019 are as follows:

A.Disaggregation of revenue

	For the year ended December 31,	
	2020	2019
	Single department	Single department
Sales of goods	$3,836,666	$3,096,188
The timing for revenue recognition:		
At a point in time	$3,836,666	$3,096,188

B.Contract balances

a.Contract liabilities – current

As of	2020.12.31	2019.12.31	2019.01.01
Sales of goods	$24,374	$16,600	$144,838
Customer loyalty programmes	15,261	14,848	10,739
Total	$39,635	$31,448	$155,577

The changes in the Company's balances of contract liabilities for the year ended 31 December 2020 are as follows:

	Sales of goods	Customer loyalty programmes
The opening balance transferred to revenue	$(16,526)	$(14,848)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	24,300	15,261

The changes in the Company's balances of contract liabilities for the year ended December 31, 2019 are as follows:

	Sales of goods	Customer loyalty programmes
The opening balance transferred to revenue	$(144,838)	$(10,739)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	16,600	14,848

(16)Expected credit gains (losses)

	For the year ended December 31,	
	2020	2019
Operating expenses - Expected credit gains (losses)		
Accounts receivable	$(3,223)	$2,192

A.The historical credit loss experience for accounts receivable shows that different customer segments do not have significantly different loss patterns, the loss allowance of accounts receivable is measured at an amoumt equal to lifetime expected credit losses and with no distinction between groups, details are as follow:

December 31, 2020

		Past due				
	Not past due	<=60 days	61-90 days	91-240 days	>=241 days	Total
Gross carrying amount	$845,428	$-	$-	$-	$-	$845,428
Loss rate	0.60%	0%	0%	0%	0%	
Lifetime expected credit losses	(5,082)	-	-	-	-	(5,082)
Carrying amount of accounts receivable	$840,346	$-	$-	$-	$-	$840,346

December 31, 2019

	Not past due	Past due <=60 days	Past due 61-90 days	Past due 91-240 days	Past due >=241 days	Total
Gross carrying amount	$417,330	$-	$-	$-	$-	$417,330
Loss rate	0.45%	0%	0%	0%	0%	
Lifetime expected credit losses	(1,859)	-	-	-	-	(1,859)
Carrying amount of accounts receivable	$415,471	$-	$-	$-	$-	$415,471

B. The movement in the provision for impairment of accounts receivable for the years 2020 and 2019 are as follows:

	Accounts receivable
As of January 1, 2020	$1,859
Addition (reversal)	3,223
As of December 31, 2020	$5,082
As of January 1, 2019	$4,051
Addition (reversal)	(2,192)
As of December 31, 2019	$1,859

(17)Leases

A. Company as a lessee

The Company leases various properties, including real estate such as buildings, machinery and equipment and transportation equipment. The lease terms range from 1 to 10 years. The Company is not allowed to lend, sublease, or sell without obtaining the consent from the lessors.

The effect of leases on the Company's financial position, financial performance and cash flows are as follow:

a.Amounts recognized in the balance sheet

I.Right-of-use assets

	Land	Buildings	Machinery and equipment	Transportation equipment	Total
Cost:					
As of 1/1/2020	$1,743	$257,979	$17,793	$2,490	$280,005
Addition	-	66,355	-	-	66,355
Disposals	(1,743)	(178,450)	-	-	(180,193)
Transfer	-	-	-	-	-
As of 12/31/2020	$-	$145,884	$17,793	$2,490	$166,167
As of 1/1/2019	$-	$273,932	$17,793	$1,330	$293,055
Addition	1,743	31,496	-	1,160	34,399
Disposals	-	(47,449)	-	-	(47,449)
Transfer	-	-	-	-	-
As of 12/31/2019	$1,743	$257,979	$17,793	$2,490	$280,005
Depreciation and impairment:					
As of 1/1/2020	$581	$121,006	$6,888	$815	$129,290
Depreciation	1,162	101,340	6,888	1,025	110,415
Impairment loss	-	-	-	-	-
Disposals	(1,743)	(167,334)	-	-	(169,077)
Transfer	-	-	-	-	-
As of 12/31/2020	$-	$55,012	$13,776	$1,840	$70,628
As of 1/1/2019	$-	$-	$-	$-	$-
Depreciation	581	124,009	6,888	815	132,293
Impairment loss	-	-	-	-	-
Disposals	-	(3,003)	-	-	(3,003)
Transfer	-	-	-	-	-
As of 12/31/2019	$581	$121,006	$6,888	$815	$129,290

Net carrying amount:					
As of 12/31/2020	$-	$90,872	$4,017	$650	$95,539
As of 12/31/2019	$1,162	$136,973	$10,905	$1,675	$150,715

II.Lease liabilities

	As of December 31,	
	2020	2019
Lease liabilities	$96,212	$156,893
Current	$38,317	$109,912
Non-current	$57,895	$46,981

Please refer to Note 6 (19)(d) for the interest on lease liabilities recognized during the year ended 31 December 2020 and 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2020 and 2019.

b.Income and costs relating to leasing activities

	For the year ended December 31,	
	2020	2019
The expenses relating to short-term leases	$(48,273)	$(27,356)
The expenses relating to leases of low-value assets	(860)	(1,137)
Income from subleasing right-of-use assets	834	450

The portfolio of short-term leases of the Company to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT$0. For the year ended December 31, 2020, the Company recognized NT$5,920 thousand as income to account the rent concession arising as a direct consequence of the covid-19 pandemic as a variable lease payment.

c.Cash outflow relating to leasing activities

	2020	2019
Cash outflow relating to leases amount	$166,358	$156,979

(18)Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function / Nature	2020			2019		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	$525,867	$445,121	$970,988	$487,330	$344,208	$831,538
Labor and health insurance	48,041	33,114	81,155	48,773	28,787	77,560
Pension	15,681	15,677	31,358	15,734	13,554	29,288
Directors' remuneration	-	12,532	12,532	-	9,455	9,455
Other employee benefits expense	27,231	19,987	47,218	22,993	15,168	38,161
Depreciation	526,051	72,487	598,538	601,278	75,316	676,594
Amortization	82	2,847	2,929	-	1,866	1,866

Note:

1.The headcounts of the Company amounted to 1,468 and 1,382, respectively, as of December 31, 2020 and 2019. Among the Company's directors, there were 8 who were not the employees.

2.Companies who have been listed on Taiwan Stock Exchange or Taiwan Over-The Counter Securities Exchange should disclose the following information:

(1) Average employee benefits of 2020 and 2019 are NT$774 thousand and NT$711 thousand respectively.

(2) Average salaries of 2020 and 2019 are NT$665 thousand and NT$605 thousand respectively.

(3) Changes in average salaries are 9%.

(4) In accordance with the regulations, the Company has established an audit committee to replace the supervisor, so the supervisor's remuneration has not been recognized.

(5) The salary and remuneration policy of the Company:

Board of Directors and managers' salaries are referred to the industry standards, and the bonuses are allocated according to their performance, risk taking and level of contribution, etc. Employees' salaries are based on their academic background, professional knowledge, years of experience, and their KPI. Employees' annual salaries are also adjusted based on Company's condition to motivate and retain outstanding employees.

According to the Article of Incorporation, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to NT$107,316 thousand and NT$9,332 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2019 amounted to NT$71,933 thousand and NT$6,255 thousand, respectively, recognized as employee benefits.

The Company's Board has determined the employees' compensation and directors' renumeration, all in cash, to be NT$107,316 thousand and NT$9,328 thousand, respectively, in a meeting held on January 29, 2020. The NT$4 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2020, were recognized as gain or loss in the next year.

The Company's Board has determined the employees' compensation and directors' renumeration, all in cash, to be NT$71,933 thousand and NT$6,255 thousand, respectively, in a meeting held on February 10, 2020. No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2019.

(19)Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,	
	2020	2019
Interest income		
Deposit interest	$2,913	$2,579
Financial assets measured at amortized cost	1,244	599
Total	$4,157	$3,178

B.Other incomes

	For the year ended December 31,	
	2020	2019
Rent income	$834	$450
Government grants income	21	-
Other income - others	10,936	7,311
Total	$11,791	$7,761

C.Other gains and losses

	For the year ended December 31,	
	2020	2019
Gains (losses) from disposal of property, plant and equipment	$1,599	$16
Gains (losses) on financial assets at fair value through profit or loss	947	166
Gains (losses) on lease modification	160	184
Impairment loss on non-financial assets	(19,627)	(12,149)
Foreign exchange gains (losses), net	(4,967)	(7,323)
Other losses	(3,766)	(107)
Total	$(25,654)	$(19,213)

D.Finance costs

	For the year ended December 31,	
	2020	2019
Interests on borrowings from bank	$2,324	$19,310
Interest on lease liabilities	1,465	2,555
Total	$3,789	$21,865

(20)Components of other comprehensive income (loss)

For the year ended December 31, 2020

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method	$1,651	$-	$1,651	$-	$1,651

For the year ended December 31, 2019

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under the equity method	$(4,557)	$-	$(4,557)	$-	$(4,557)

(21)Income tax

A.The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2020	2019
Current income tax expense (income):		
Current income tax expense	$110,037	$87,055
Adjustments in respect of current income tax of prior periods	(13,522)	(17,745)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	4,657	2,513
Total income tax expense (income)	$101,172	$71,823

B.A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2020	2019
Accounting profit before tax from continuing operations	$816,531	$547,315
Tax payable at the enacted tax rates	$163,306	$109,463
Tax effect of income tax-exempted	276	(33)
Tax effect of expenses not deductible for tax purposes	51	42
Tax effect of deferred tax assets/liabilities	14,885	835
Surtax on undistributed earnings	12,419	19,815
Adjustments in respect of current income tax of prior periods	(13,522)	(17,745)
Other adjustments according to the Tax Law	(76,243)	(40,554)
Total income tax recognized in profit or loss	$101,172	$71,823

C.Deferred tax assets (liabilities) relate to the following.

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2020
Temporary differences				
Unrealiized loss on inventory valuation	$1,991	$12,044	$-	$14,035
Unrealized exchange loss (gain)	1,958	(6,997)	-	(5,039)
Share of profits or loss of subsidiaries, associates and joint ventures accounted for under equity method	(8,623)	(9,704)	-	(18,327)
Deferred tax income/ (expense)		$(4,657)	$-	
Net deferred tax assets/(liabilities)	$(4,674)			$(9,331)
Reflected in balance sheet as follows:				
Deferred tax assets	$3,949			$14,035
Deferred tax liabilities	$8,623			$23,366

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2019
Temporary differences				
Unrealiized loss on inventory valuation	$2,491	$(500)	$-	$1,991
Unrealized exchange loss (gain)	(769)	2,727	-	1,958
Share of profits or loss of subsidiaries, associates and joint ventures accounted for under equity method	(3,883)	(4,740)	-	(8,623)
Deferred tax income/ (expense)		$(2,513)	$-	
Net deferred tax assets/(liabilities)	$(2,161)			$(4,674)

Reflected in balance sheet as follows:		
Deferred tax assets	$2,491	$3,949
Deferred tax liabilities	$4,652	$8,623

D.Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$78,482 thousand and NT$63,596 thousand, respectively.

E.The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company have been approved up to the year of 2018 but not yet approved in 2017.

(22)Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

A.Basic earnings per share

	For the year ended December 31,	
	2020	2019
Net income available to common shareholders of the parent	$715,359	$475,492
Weighted average number of common stocks outstanding (in thousand shares)	70,000	62,438
Basic earnings per share (in NT$)	$10.22	$7.62

B.Diluted earnings per share

	For the year ended December 31,	
	2020	2019
Net income available to common shareholders of the parent	$715,359	$475,492
Net income available to common shareholders of the parent after dilution	$715,359	$475,492
Weighted average number of common stocks outstanding (in thousand shares)	70,000	62,438
Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	429	470
Weighted average number of common stocks outstanding after dilution (in thousand shares)	70,429	62,908
Diluted earnings per share (in NT$)	$10.16	$7.56

No other transactions that would significantly change the outstanding common stocks or potential common stocks incurred during the period subsequent to reporting date and up to the approval date of financial statements.

7.RELATED PARTY TRANSACTIONS

(1)Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Pegatron Corporation	Ultimate parent company
Kinsus Interconnect Technology Corporation	Parent company
Pegavision Japan Inc.	Subsidiary
Pegavision Contact Lenses (Shanghai) Corporation	Subsidiary
Gemvision Technology (Zhejiang) Limited	Subsidiary
Aquamax Corporation	Subsidiary
Pegatron Czech S.R.O.	Other related party

(2)Significant transactions with related parties

A.Operating revenue

	For the year ended December 31,	
	2020	2019
Pegavision Japan Inc.	$1,596,570	$1,353,073
Gemvision Technology (Zhejiang) Limited	547,066	51,499
Parent company	-	73
Subsidiaries	10,419	127,282
Total	$2,154,055	$1,531,927

Selling prices is set by the fixed price for sale to other customers and taking into account the cost of its after-sales services plus reasonable profit. Collecion terms for general customers were 90 days after monthly closing while 90 days and within 180 days after monthly closing for parent company and subsidiaries.

B.Lease-related parties

a.Right-of-use assets

		As of December 31,	
Related parties	Nature	2020	2019
Pegatron Corporation	Buildings	$-	$59,555

b.Lease liabilities

	As of December 31,	
Related parties	2020	2019
Pegatron Corporation	$-	$65,406

c.Lease payments (Rental expense)

		For the year ended December 31,	
Related parties	Nature	2020	2019
Pegatron Corporation	Buildings	$38,369	$8,441
Pegatron Corporation	Other equipment	625	983
Total		$38,994	$9,424

d.Interest expenses

Related parties	For the year ended December 31, 2020	2019
Pegatron Corporation	$248	$1,401

C.Operating expense

Related parties	Nature	For the year ended December 31, 2020	2019
Pegatron Corporation	Provide service	$361	$399
Pegatron Corporation	Pay utilities	$69,793	$69,503
Pegatron Czech S.R.O.	Provide service	$85	$180

D.Accounts receivable - related parties

	As of December 31, 2020	2019
Pegavision Contact Lenses (Shanghai) Corporation	$6,016	$124,211
Pegavision Japan Inc.	354,934	146,953
Gemvision Technology (Zhejiang) Limited	219,266	51,305
Aquamax Corporation	1,847	-
Kinsus Interconnect Technology Corporation	-	5
Less: loss allowance	-	-
Net	$582,063	$322,474

E.Refundable deposits

	As of December 31, 2020	2019
Pegatron Corporation	$10,000	$10,000

F. Contract liabilities

	As of December 31, 2020	2019
PEGAVISION JAPAN INC.	$15,316	$-

G.Other payables

	As of December 31,	
	2020	2019
Pegatron Corporation	$19,705	$16,660
Other related party	-	52
Total	$19,705	$16,712

H. Deposits Received

	As of December 31,	
	2020	2019
Subsidiary	$4	$-

I.Key management personnel compensation

	For the year ended December 31,	
	2020	2019
Short-term employee benefits and post-employment benefits	$13,360	$17,690

8.PLEDGED ASSETS

The following table lists assets of the Company pledged as collateral:

	Carrying amount as of December 31,		
Items	2020	2019	Secured liabilities
Property, plant and equipment - machinery and equipment (carrying amount)	$-	$1,317,565	Secured borrowings
Property, plant and equipment - other equipment (carrying amount)	61,249	65,473	Secured borrowings
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	$63,249	$1,385,038	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2020, the Company's outstanding contracts relating to significant construction in progress and purchased property, plant and equipment were as follows:

Nature of Contract	Contract Amount	Amount Paid	Amount unpaid
Buildings	$1,429,547	$174,351	$1,255,196
Machinery and equipment	469,620	155,182	314,438
Total	$1,899,167	$329,533	$1,569,634

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1)Categories of financial instruments

Financial assets

	As of December 31,	
	2020	2019
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$566,769	$316,120
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	949,752	587,510
Accounts receivables	258,283	92,997
Accounts receivables – related party	582,063	322,474
Other receivables	3,680	2,338
Refundable deposits	69,933	64,492
Subtotal	1,863,711	1,069,811
Total	$2,430,480	$1,385,931

Financial liabilities

	As of December 31,	
	2020	2019
Financial liabilities measured at amortized cost:		
Short-term borrowings	$367,890	$128,914
Payables	950,262	725,809
Long-term borrowings (including current portion with maturity less than 1 year)	14,705	-
Lease liabilities	96,212	156,893
Total	$1,429,069	$1,011,616

(2)Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk.

(3)Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprises currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Therefore, hedge accounting is not adopted.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Company's foreign currency risk is mainly related to volatility in the exchange rates of US dollars and CNY dollars. The information of the sensitivity analyses is as follows:

When NTD appreciates/depreciates against USD by 1%, the net income (loss) for the years ended 31 December 2020 and 2019 would decrease/increase by NT$1,289 thousand and NT$604 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, the net income (loss) for the years ended 31 December 2020 and 2019 would decrease/increase by NT$3,186 thousand and NT$2,785 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and bank borrowings with fixed interest rates and variable interest rates, which are all categorized as bank borrowings and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2020 and 2019 would increase/decrease by NT$217 thousand and NT$222 thousand, respectively.

(4)Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2020 and 2019, receivables from the top ten customers were accounted for 87.83% and 89.27% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated

based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
As of December 31, 2020							
Borrowings	$368,299	$276	$3,186	$3,795	$1,901	$6,183	$383,640
Payables	950,262	-	-	-	-	-	950,262
Lease Liabilities	39,150	22,403	9,697	5,043	4,763	17,553	98,609
As of December 31, 2019							
Borrowings	$129,508	$-	$-	$-	$-	$-	$129,508
Payables	725,809	-	-	-	-	-	725,809
Lease Liabilities	111,026	29,290	14,166	2,483	794	794	158,553

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$128,914	$-	$762	$156,893	$286,569
Cash flows	238,976	15,000	(128)	(117,225)	136,623
Non-cash changes					
Lease modification	-	-	-	55,079	55,079
Interest of lease liabilities	-	-	-	1,465	1,465
Other	-	(295)	-	-	(295)
As of December 31, 2020	$367,890	$14,705	$634	$96,212	$479,441

Movement schedule of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities (Note)	Total liabilities from financing activities
As of January 1, 2019	$159,501	$600,000	$2,059	$293,055	$1,054,615
Cash flows	(30,587)	(600,000)	(1,297)	(128,670)	(760,554)
Non-cash changes					
Lease modification	-	-	-	(10,047)	(10,047)
Interest of lease liabilities	-	-	-	2,555	2,555
As of December 31, 2019	$128,914	$-	$762	$156,893	$286,569

(7)Fair values of financial instruments

A.The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Company in estimating the fair values of financial assets and liabilities:

a.The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.

b.For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds).

c.Fair value of equity instruments without market quotations, bank borrowing and other non-current liabilities are determined based on the counterparty prices or valuation method (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

B.Fair value of financial instruments measured at amortized cost

The carrying amount of the Company’s financial assets and liabilities measure at amortized cost approximates their fair value.

C.Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8)Fair value measurement hierarchy

A.Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B.Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company’s assets and liabilities measured at fair value on a recurring basis is as follows.

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Money market fund	$566,769	$-	$-	$566,769
Financial liabilities:				
None				

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Money market fund	$316,120	$-	$-	$316,120
Financial liabilities:				
None				

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurement.

(9)Significant financial assets and liabilities denominated in foreign currencies

Information regarding the significant financial assets and liabilities denominated in foreign currencies was listed below. (In Thousands)

	As of December 31,					
	2020			2019		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
Financial assets						
Monetary items:						
USD	$17,496	28.50	$498,565	$6,346	29.98	$190,261
CNY	$73,009	4.367	$318,855	$64,819	4.298	$278,561
Financial liabilities						
Monetary items:						
USD	$12,971	28.50	$369,620	$4,331	29.98	$129,846
CNY	$69	4.367	$301	$19	4.298	$82
Foreign currency resulting in exchange gain or loss						
USD			$(11,540)			$2,392
CNY			$7,143			$(9,784)
Other			$(570)			$69

(10)Capital management

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13.ADDITIONAL DISCLOSURES

(1)Information on significant transactions

A.Financing provided to others: None.

B.Endorsement/Guarantee provided to others: Please refer to attachment 1.

C.Marketable securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D.Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: Please refer to attachment 3.

E.Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

F.Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

G.Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2020: Please refer to attachment 4.

H.Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2020: Please refer to attachment 5.

I.Derivative instrument transactions: None.

(2)Information on investees

A.Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 6.

B.Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

a.Financing provided to others: None.

b.Endorsement/Guarantee provided to others: None.

c.Marketable securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): None.

d.Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

e.Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

f.Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

g.Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2020: Please refer to attachment 7.

h.Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2020: None.

i.Derivative instrument transactions: None.

(3)Information on investments in Mainland China:

A.Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commissio, MOEA
					Outflow	Inflow									
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	$112,559 (Note 4)	(Note 1)	$112,559	$-	$-	$112,559	$5,182 (Note 3、6 and 8)	100%	$5,182 (Note 3, 6 and 8)	$106,186 (Note 3 and 6)	$-	$112,559	$112,559	$2,757,429
Gemvision Technology (Zhejiang) Limited	Selling medical equipment	$96,082 (Note 3 and 5)	(Note 2)	$-	$-	$-	$-	$2,281 (Note 3 and 6)	100%	$2,281 (Note 3, 6 and 7)	$93,284 (Note 3, 6 and 7)	$-	$-	$-	

Note 1: For the consideration of reorganization, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to the Company from Pegavision Holdings Corporation. The registration was completed at May 13, 2020.

Note 2: 100% Shares of Gemvision Technology owned and indirectly invested by Pegavision Contact Lenses (Shanghai) Corporation.

Note 3: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 4: The paid-in capital is USD3,600 thousand, equivalent to NT$112,559 thousand.

Note 5: The paid-in capital is CNY22,000 thousand.

Note 6: Gain/loss on investment is recognized based on the audited financial statements of the parent company's auditors in Taiwan.

Note 7: Pegavision Contact Lenses (Shanghai) Corporation recognized the profit/loss and carrying amount of Gemvision Technology (Zhejiang) Limited.

Note 8: For the consideration of reorganization, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to the Company from Pegavision Holdings Corporation.In the current period's recognized NT$9,903 thousand by Pegavision Holdings Corporation, and NT$(4,721) thousand by the company.

B.Significant transactions with investees in China.

a.Purchase and balances of related accounts payable as of December 31, 2020: None.

b.Sales and the balance of related accounts receivable and their weightings as of December 31 2020:

	Operating revenue		Accounts receivable	
	Amount	% to Net Sales	Amount	% to Account Balance
Pegavision Contact Lenses (Shanghai) Corporation	$8,661	0.23%	$6,016	0.72%
Gemvision Technology (Zhejiang) Limited	547,066	14.26%	219,266	26.09%

Selling prices is set by the fixed price for sale to other customers and taking into account the cost of its after-sales services plus reasonable profit. Collection terms for general customers were 90 days after monthly closing while within 180 days after monthly closing for subsidiaries.

c.The profit and loss produced by transaction of property: None.

d.Ending balance of endorsements/guarantees or collateral provided and the purposes: None.

e.Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

f.Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: None.

(4)Information on major shareholders

Shares / Major shareholders	Shares	%
Kinsus Investment Co., Ltd.	21,233,736	30.33%
LIU, BO-WEN	5,506,000	7.86%
Asuspower Investment Co., Ltd.	5,480,121	7.82%
Asustek Investment Co., Ltd.	4,934,434	7.04%

14. SEGMENT INFORMATION

The Company has provided the operating segment disclosure in the consolidated financial statements.

Pegavision Corporation

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2020

Attachment 1

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Nature of Relationship										
0	Pegavision Corporation	Pegavision Corporation	- (Note 2)	$919,143	$2,000	$2,000	$2,000	$2,000	0.05%	$2,297,858	N	N	N

Note 1: Pegavision Corporation is coded "0".

Note 2: This endorsement is the company's tariff endorsement guarantee of $2,000 thousand, and the relationship column does not apply.

Note 3: The total amount of the company's overall endorsement guarantee shall not exceed 50% of the Company's most recent financial statement net value and the amount of endorsement guarantee to a single enterprise shall not exceed 20% of the Company's most recent financial statement net value.

Pegavision Corporation

Marketable Securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint ventures)

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial Statement Account	Ending Balance				
				Shares/Units	Carrying Amount	Shareholding (%)	Fair Value	Note
Pegavision Corporation	Money Market Funds							
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	33,387,514	$509,270	-%	$509,333	
	Yuanta De Li Money Market Fund	-	Financial assets at fair value through profit or loss	3,493,908	57,185	-%	57,436	
	Add: Valuation Adjustment				314			
	Total				$566,769		$566,769	

Pegavision Corporation

Individual Securities Acquired or Disposed of with accumulated amount of At Least NT$300 Million or 20% of The Paid-In Capital

For the Year Ended December 31, 2020

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Pegavision Corporation	Money Market Funds:													
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	11,778,166	$179,017	112,658,656	$1,717,000	91,049,308	$1,387,298	$1,386,747	$551	33,387,514	$509,270

Pegavision Corporation

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2020

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	Sales	$1,596,570	41.61%	90 days after monthly closing	Similar to those to third party customers	T/T to 90 days after monthly closing	Accounts receivable $354,934 contract liability $(15,316)	42.24% 38.64%	
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	Sales	$547,066	14.26%	Within 180 days after monthly closing	Similar to those to third party customers	T/T to 90 days after monthly closing	Accounts receivable $219,266	26.09%	

Pegavision Corporation

Receivables from Related Parties of at Least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2020

Attachment 5

(In Thousands of New Taiwan Dollars)

					Overdue			
Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Amount	Action Taken	in Subsequent Periods	Loss Allowance
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	$354,934	6.36	$-	-	$179,695	$-
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	$219,266	4.04	$-	-	$-	$-

Pegavision Corporation

Investees over Whom the Company Exercise Significant Influence or Control (Excluding Investees in Mainland China)

As of December 31, 2020

Attachment 6

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2020	As of December 31, 2019	Shares	%	Carrying Value			
Pegavision Corporation	Pegavision Holdings Corporation	Samoa	Investing activities	- (Note)	USD 3,630	- shares	-% (Note)	$- (Note)	$10,150	$10,150	
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	JPY9,900	JPY9,900	198 shares	100.00%	$45,842	$19,805	$19,805	
Pegavision Corporation	Aquamax Corporation	Taiwan	Selling medical equipment	NTD 40,000	(Not applicable)	4,000,000 shares	100.00%	$37,675	$(2,328)	$(2,328)	
Aquamax Corporation	Aquamax Vision Corporation	USA	Selling medical equipment	USD 600	(Not applicable)	6,000,000 shares	100.00%	$15,076	$(2,101)	$(2,101)	

Note: For the consideration of reorganization, the equity of Pegavision Holdings Corporation was struck off the register at September 2, 2020.

Pegavision Corporation

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2020

Attachment 7

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Pegavision Japan Inc.	Pegavision Corporation	Subsidiary	Purchase	$1,596,570	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable $339,618	100.00%	
Gemvision Technology (Zhejiang) Limited	Pegavision Corporation	Subsidiary	Purchase	$547,066	97.38%	Within 180 days after monthly closing	Similar to those to third party suppliers	Similar to those to third party suppliers	Accounts payable $219,266	100.00%	

Pegavision Corporation

1. Statement of Cash and Cash Equivalents

As of December 31, 2020

(In Thousands of New Taiwan Dollars and foreign currencies)

Item	Description	Amount	Note
Cash and petty cash:		$3,151	1.Cash and Cash equivalents were not pledged.
			2.Exchange Rate
			USD 1=NTD 28.4965
			CNY 1=NTD 4.36735
			JPY 1=NTD 0.2764
Checkings and savings:			GBP 1=NTD 38.91
Shanghai Commercial & Savings Bank－Zhongli Branch	Demand deposits	32,456	
Shanghai Commercial & Savings Bank－Zhongli Branch	Check deposit	10,940	
Shanghai Commercial & Savings Bank－Zhongli Branch	Foreign currency deposit	16,488	USD 139、CNY 2,870
Mega International Commercial Bank－Lanya Branch	Demand deposits	67,763	
Mega International Commercial Bank－Lanya Branch	Foreign currency deposit	78,590	USD 409、CNY 3,386、JPY 187,110、GBP 11
Land Bank Of Taiwan －Chengtung Branch	Demand deposits	74	
Taishin International Bank－Jianpei Branch	Demand deposits	1,485	
Bank SinoPac－Taipei Branch	Demand deposits	1,924	
Taipeifubon Commercial Bank－Anhe Branch	Demand deposits	5,183	
Taipeifubon Commercial Bank－Anhe Branch	Foreign currency deposit	2,346	USD 82
Chang Hwa Commercial Bank－Beitou Branch	Demand deposits	9,783	
Chang Hwa Commercial Bank－Beitou Branch	Foreign currency deposit	490	USD 13、CNY 30
Subtotal		227,522	
Time deposits:			
Mega International Commercial Bank－Lanya Branch	Fixed-term deposits	315,000	
Mega International Commercial Bank－Lanya Branch	Fixed-term deposits	21,837	CNY 5,000
Bank SinoPac－Taipei Branch	Fixed-term deposits	9,000	
Chang Hwa Commercial Bank－Beitou Branch	Fixed-term deposits	350,000	
Chang Hwa Commercial Bank－Beitou Branch	Fixed-term deposits	26,393	CNY 6,000
Subtotal		722,230	
Total		$952,903	

Pegavision Corporation

2. Statement of Financial assets at fair value through profit or loss

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

	Shares/Units	Par Value	Amount	Interest Rate	Acquisition Cost	Fair Value		Note
						Unit Price	Amount	
Money Market Funds:								
Yuanta Wan Tai Money Market Fund	33,387,514	-	$509,270	-	$509,270	$15.255	$509,333	Note
Yuanta De Li Money Market Fund	3,493,908	-	57,185	-	57,185	16.439	57,436	Note
Subtotal			$566,455		566,455		$566,769	
Add: Valuation Adjustment					314			
Total					$566,769			

Note: Financial assets at fair value through profit or loss were not pledged.

Pegavision Corporation

3. Statetment of Accounts Receivable, net

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	$70,690	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	54,421	
Client C	18,985	2.Non related parties.
Client D	16,280	
Client E	15,635	
Client F	13,351	
Others	74,003	
Subtotal	263,365	
Less: loss allowance	(5,082)	
Net	$258,283	

Pegavision Corporation

4. Statement of Accounts Receivable - Related Parties, net

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
Pegavision Japan Inc.	$354,934	The Receivable from Related Parties incurred from sale of goods.
Gemvision Technology (Zhejiang) Limited	219,266	
Pegavision Contact Lenses (Shanghai) Corporation	6,016	
Aquamax Corporation	1,847	
Less: loss allowance	-	
Net	$582,063	

Pegavision Corporation

5. Statement of Other Receivables

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Interest receivables	$338	
Other receivables	3,342	
Total	$3,680	

Pegavision Corporation

6. Statement of Inventories, net

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Merchandises	$7,995	$7,995	1.Inventories are valued at lower of cost or net realizable value item by item.
Raw materials	46,138	46,138	
Supplies	3,791	3,791	
Work in progress	168,256	168,256	2.The insurance coverage for inventories was NT$699,692 thousand as of December 31, 2020.
Finished goods	190,291	263,209	
Subtotal	416,471	$489,389	
Less: allowance for inventory valuation losses	(124,623)		3.Inventories were not pledged.
Net	$291,848		

Pegavision Corporation

7. Statement of Prepayments

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Office supplies	$13,632	
Prepaid rents	2,709	
Other prepayments	25,836	
Total	$42,177	

Pegavision Corporation

8. Statement of Other Current Assets

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Temporary payments	$1,632	
Payment on behalf of others	88	
Input tax	24,086	
Overpaid sales tax	503	
Total	$26,309	

Pegavision Corporation

9. Statement of Changes in Investment Accounted for Under Equity Method

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2020		Additions		Decrease		As of December 31, 2020			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
Pegavision Japan Inc.	198	$26,102	-	$19,740 (Note1)	-	$-	198	100.00%	$45,842	$231,525	$45,842	None	
Pegavision Holdings Corporation	3,630,000	99,820	-	7,415 (Note2)	(3,630,000)	(107,235) (Note3)	-	-%	-	-	-	None	
Pegavision Contact Lenses (Shanghai) Corporation	-	-	-	106,187 (Note4)		-	-	100.00%	106,187	-	106,187	None	
Unrealized profit		(63,383)				(71,565)			(134,948)		-		
Subtotal		(63,383)		106,187		(71,565)			(28,761)		106,187		
Aquamax Corporation	-	-	4,000,000	37,675 (Note5)	-	-	4,000,000	100.00%	37,675	9	37,675	None	
Unrealized profit		-				(600)			(600)				
Subtotal		-		37,675		(600)			37,075		37,675		
Total		$62,539		$171,017		$(174,000)			$54,156		$189,704		

Note1: Including investment gain recognized under equity method amounted to NT$19,805 thousand and foreign currency statements translation adjustments amounted to NT$(65) thousand.

Note2: Including investment gain recognized under equity method amounted to NT$10,150 thousand and foreign currency statements translation adjustments amounted to NT$(2,735) thousand.

Note3: For the consideration of reorganization,the investment in Pegavision Contact Lenses (Shanghai) Corporation had been adjusted to the parent company-Pegavision Corporation and the investment amount of NT$106,460 thousand had been transferred out, and the remaining cash and cash equivalent of NT$775 thousand had been transferred to the parent company-Pegavision Corporation. The investment of Pegavision Holdings Corporation was struck off the register at September 2, 2020.

Note4: For the consideration of reorganization, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to the Company from Pegavision Holdings Corporation. Including investment gain recognized under equity method amounted to NT$106,460, investment loss recognized under equity method amounted to NT$(4,721) thousand and foreign currency statements translation adjustments amounted to NT$4,448 thousand.

Note5: Including investment increased NT$40,000, investment loss recognized under equity method amounted to NT$(2,328) thousand and foreign currency statements translation adjustments amounted to NT$3 thousand.

Pegavision Corporation

10.Statement of Other Non-Current Assets

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Prepayment for equipment	$234,064	
Refundable deposits		
Lease	24,686	
Other	45,247	
Subtotal	69,933	
Total	$303,997	

Pegavision Corporation

11. Statement of Short-term Borrowing

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Description	Type	As of December 31, 2020	Contract Period	Interest Rates	Collateral	Note
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	$25,647	2020/10/12-2021/01/12	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	25,647	2020/10/27-2021/01/27	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	27,071	2020/10/29-2021/01/29	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	25,647	2020/11/18-2021/01/29	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	25,647	2020/11/23-2021/01/29	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	25,647	2020/11/26-2021/02/26	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	42,745	2020/12/03-2021/02/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	25,647	2020/12/04-2021/02/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	25,647	2020/12/07-2021/02/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	42,745	2020/12/08-2021/02/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	62,692	2020/12/18-2021/03/18	Note	None	
Mega International Commercial Bank – LanYa Branch	Credit loans	13,108	2020/12/25-2021/01/25	Note	None	
Total		$367,890				

Note: As of December 31, 2020, the interest rate intervals for short-term loans were 0.66%~0.85%.

Pegavision Corporation

12. Statement of Contract Liabilities

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Receipts in advance		1.The amount of individual client included in others does not exceed 5% of the account balance.
Related Party - Pegavision Japan Inc.	$15,316	
Client G	4,231	
Client H	2,788	
Others	2,039	
Subtotal	24,374	
Deferred revenue	15,261	
Total	$39,635	

Pegavision Corporation

13. Statement of Notes Payable

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Vendor A	$473	Non related parties.
Vendor B	50	
Vendor C	30	
Others	1	
Total	$554	

Pegavision Corporation

14. Statement of Accounts Payable

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Vendor D	$25,563	1.The amount of individual vendor included in others does not exceed 5% of the account balance.
Vendor E	21,879	
Vendor F	17,848	
Vendor G	14,366	2. Non related parties.
Vendor H	12,837	
Vendor I	7,150	
Others	44,446	
Total	$144,089	

Pegavision Corporation

15. Statement of Other Payables

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Accrued Payroll	$259,095	
Accrued Professional Service Fees	19,705	Related party-Pegatron Corporation
Accrued Employees' Compensation	107,316	
Accrued Interest Payable	250	
Compensation Payable to Directors	10,135	
Payables to Equipment suppliers	110,940	
Others	298,178	The amount of individual vendor included in others does not exceed 5% of the account balance.
Total	$805,619	
Payables to Equipment suppliers		
Vendor J	$19,741	
Vendor K	17,580	
Vendor L	16,896	
Vendor M	14,850	
Vendor N	12,393	
Vendor O	6,560	
Others	22,920	The amount of individual vendor included in others does not exceed 5% of the account balance.
Total	$110,940	

Pegavision Corporation

16. Statement of Changes in Current Tax Liablities

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Balance as of January 1, 2020	$21,049	
Add: Income tax accrual for 2020	97,618	
Surtax rate on undistributed earnings accrual for 2019	12,419	
Less：Income tax payment for 2020	(55,153)	
Interim temporary tax payment	(137)	
Adjustments in respect of current income tax of prior periods	(13,522)	
Balance as of December 31, 2020	$62,274	

Pegavision Corporation

17. Statement of Lease Liabilities

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Period	Discount rate	As of 2020/12/31	Note
Buildings	2019/1/1~2030/7/15	0.95%~1.30%	$91,486	
Machinery and equipment	2019/1/1~2021/7/19	1.30%	4,070	
Transportation equipment	2019/1/1~2021/9/30	1.30%	656	
Total			96,212	
Less: Current portion of lease liabilities			(38,317)	
Non-Current portion of lease liabilities			$57,895	

Pegavision Corporation

18.Guarantee Deposits Received

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Lease guarantee deposit	$630	
Related party-Aquamax Corporation	4	
Total	$634	

Pegavision Corporation

19. Statement of Operating Revenue

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Quantity (set)	Amount	Note
Operating revenue			
Contact lens	439,120,636	$3,823,787	
Others		12,879	
Total operating revenue		$3,836,666	

Pegavision Corporation

20. Statement of Operating Costs

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Direct Materials		
Beginning balance	$41,771	
Add: Raw materials purchased	384,124	
Less: Ending balance	(46,138)	
Raw materials sold directly	(2,169)	
Raw materials scrapped	(1,480)	
Loss from physical taking	(4)	
Transferred to other accounts	(16,966)	
Direct materials used	359,138	
Supplies and parts		
Beginning balance	2,479	
Add: Supplies and parts purchased	35,585	
Less: Ending balance	(3,791)	
Supplies and parts sold directly	(2,220)	
Transferred to other accounts	(7,841)	
Supplies and parts used	24,212	
Direct labor	595,692	
Manufacturing overhead (Detailed list 21)	857,105	
Manufacturing cost	1,836,147	
Add: Work in process, beginning balance	341,932	
Less: Work in process, ending balance	(168,256)	
Work in process scrapped	(1,977)	
Transferred to other accounts	(48,028)	
Cost of finished goods	1,959,818	
Add: Finished goods, beginning balance	217,887	
Less: Finished goods, ending balance	(190,291)	
Finished goods scrapped	(750)	
Transferred to other accounts	(10,468)	
Cost of goods sold	1,976,196	
Merchandise, beginning balance	1,725	
Add: Merchandise purchased	14,146	
Less: Merchandise, ending balance	(7,995)	
Transferred to other accounts	(4,599)	
Cost of merchandise sold	3,277	
Cost of raw materials sold directly	4,389	
Loss from inventory phycical taking	4	
Loss from inventory valuation	19,425	
Loss from inventory scrapped	4,207	
Revenue from sale of scraps	(21,770)	
Total	$1,985,728	

Pegavision Corporation

21. Statement of Manufacting Overhead

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Rent expense	$32,725	
Repair and maintenance	46,340	
Utilities	112,752	
Depreciation	526,051	
Amortization	82	
Meal expense	21,128	
Consumable materials and tools	68,048	
Profesional service expense	4,260	
Miscellaneous purchase	6,732	
Others	38,987	
Total	$857,105	

Pegavision Corporation

22. Statement of Selling Expenses

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	$159,490	
Rent expense	11,181	
Travelling	1,946	
Shipping	9,948	
Postage expenses	2,295	
Repair and maintenance	1,105	
Advertisement expense	13,814	
Utilities	1,539	
Insurance expense	14,106	
Depreciation	47,779	
Amortisation	88	
Meal expense	2,517	
Commission	25,982	
Import and export fee	15,400	
Miscellaneous purchase	2,631	
Sample fee	4,622	
Professional service expense	10,577	
Royalty	63,062	
Others	29,566	
Total	$417,648	

Pegavision Corporation

23. Statement of Administrative Expenses

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	$94,475	
Rent expense	2,292	
Utilities	1,548	
Insurance expense	8,080	
Depreciation	12,737	
Amortization	2,275	
Meal expense	855	
Employee welfare	10,370	
Internet service expense	2,555	
Miscellaneous purchase	2,231	
Professional service expense	19,999	
Factory cleaning expense	4,793	
Others	14,112	
Total	$176,322	

Pegavision Corporation

24. Statement of Research and Development Expenses

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	$222,542	
Rent expense	2,935	
Utilities	10,720	
Insurance expense	15,239	
Depreciation	11,971	
Amortization	484	
Meal expense	3,068	
Miscellaneous purchase	1,999	
Outsource testing	29,919	
Materials utilized for testing	38,456	
Professional service expense	13,769	
Others	23,358	
Total	$374,460	