PEGAVISION

2020
PEGAVISION Annual Report

TSE : 6491

Be Unique!

This English version annual report is a translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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Name of CPA: Wells Cheng and Eric Kuo
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OVERSEAS SECURITIES EXCHANGE: None.

CORPORATE WEBSITE
http://www.pegavision.com

Letter to Shareholders

Dear Shareholders,

The previous year was full of challenges. Due to the effects of COVID-19, the International Monetary Fund and World Bank estimated growth of the global economy at -4.3% for 2020, representing the largest decline since the end of World War II. According to Cooper Companies, total revenues generated by soft contact lens manufacturers worldwide were estimated at US$8.2 billion, representing a decline of over 8% compared to US$9 billion in 2019 and an industry decline that surpassed the decline of the global economy. However, despite the challenging environment, the Company still managed to deliver record-high revenues and profits owing to the contribution and exceptional performance of its employees. Below is a report of the Company's 2020 business performance and operating plans for 2021:

The Company generated consolidated revenues of NT$3.98 billion in 2020, up by NT$620 million or 18.6% from the NT$3.36 billion the year before. Meanwhile, gross profit margins widened by 5.9 percentage points from 44.5% to 50.4%, net income increased by NT$240 million or by 50% from NT$480 million to NT$720 million and earnings per share rose by NT$2.6 from NT$7.62 to NT$10.22. The Company reported record-high consolidated revenues in 2020 mainly due to the growing sale of proprietary brands and OEM service in Mainland China and growing OEM service in Japan. In addition, improvements in terms of capacity utilization and production efficiency were also reflected on the gross profit margin and current net income.

In terms of technology development, the Company committed NT$370 million of R&D expenses in 2020 to support new product development and to improve production technology, representing a 24.3% increase over the previous year's NT$280 million. In 2020, the Company's proprietary hydrogel-based lens obtained EU: CE certification, while toric and multifocal cosmetic lenses also obtained U.S. 510(k) clearance. Both of these represent an important milestone in the Company's development efforts.

Summary of current business plan

Since its inception, the Company has adhered to its business philosophy of "Expanding Consumers' Vision" and bringing healthier and more fashionable wearing experience to consumers with the following emphases:

- From a healthy optics perspective, introduce products such as progressive multifocal presbyopia, progressive multifocal cosmetic presbyopia, toric cosmetic and myopia control lenses to satisfy the needs of all age groups.
- From a comfort perspective, introduce a new generation of cosmetic and non-cosmetic silicone hydrogel-based lenses offering long-lasting moisture and high oxygen permeability to deliver a more comfortable wearing experience.
- From a health perspective, develop contact lenses with blue light/UV blocking and anti-dry eye features to protect vision for modern consumers.

In terms of production, the Company will continue adopting flexible production and inspection technologies and develop a modularized production system for improved production efficiency and product quality. In terms of sales, the Company will strive to raise international awareness of its proprietary brand by selling products not only through proprietary retail stores, but also through reputable channels and online platforms overseas; as for OEM service, the Company aims to strengthen customer attachment by engaging them in product development and mutually beneficial arrangements and will explore revenue growth with an enriched product portfolio.

Future prospect

Global sale of contact lens has shown signs of recovery since the second half of 2020. As COVID-19 vaccines become available, the world may finally be able to control the pandemic and look forward to a global economic recovery that brings the contact lens market back to its growth path in 2021. Given our improved workforce and competitiveness, the Company expects to maintain revenue growth above industry average as business environment turns favorable.

From a long-term perspective, strong increase in the number of people with myopia will continue to fuel the industry's growth. As people spend more time with electronic devices, as much as one-third of the world's population are estimated to have developed myopia, and this number is likely to grow to 50% by 2050. As a response to this trend, the Company will continue investing resources into improving production capacity and product quality, and commit greater efforts into new product development and certification as well as growing overseas markets. While strengthening competitiveness, the Company will be taking steps to reduce dependency on a single location/market and thereby reduce potential adverse impacts a policy or regulatory change may have on the Company's operations. On behalf of all employees at Pegavision, we thank you for your ongoing trust and support, and reaffirm our commitments to creating value for shareholders, enforcing corporate governance, fulfilling corporate social responsibilities, and creating a brighter future together.

T.H. Tung
Chairman

TS Yang
President

Company Profile

2.1 Date of Incorporation: August 26th, 2009.

2.2 Company Milestones

- Aug 2009 Jointly founded by Pegatron Corporation and KINSUS Interconnect Technology Corp. with share capital of Three Hundred and Sixty Million New Taiwan Dollars.
- Dec 2009 The first lens production equipment was installed and commenced mass production.
- Jan 2010 Completed installation of the first ultra-precision machine.
- Feb 2010 Introduction of ERP system.
- Mar 2010 Completed installation of the Company's first hydration, sterilization and packaging equipment.
- July 2010 Attained certification for ISO13485 Medical devices -- Quality management systems.
- Aug 2010 Attained certification for Good Manufacturing Practice (GMP).
- Sep 2010 Attained Accreditation of Foreign Manufacturers for medical devices in Japan.
- Oct 2010 Attained CE certification for soft contact lens with 38% and 58% water content.
- Nov 2010 Attained certification from TFDA for soft contact lens with 58% water content.
- Dec 2010 The second lens production equipment was installed and commenced mass production.
  Completed development of automated optical testing system.
- Jan 2011 The first overseas shipment of contact lens.
- Mar 2011 Attained certification from TFDA for soft contact lens with 38% water content.
- Apr 2011 Aquamax, a brand of daily disposable contact lenses, was launched. The Company opened its first official branch at Eslite's Taipei Main Station Underground Mall.
- May 2011 Received subsidy from Industrial Development Bureau, Ministry of Economic Affairs, for leading product development with the "Aspherical High Oxygen Permeability Soft Contact Lens Project."
- Sep 2011 Introduced production management system from Data Systems Consulting.
  Completed product development using automated optical testing system.
  Commenced mass production with the first cosmetic contact lens production equipment, and completed development of the first automated optical testing system for cosmetic contact lenses.
- Nov 2011 Attained certification from TFDA for cosmetic soft contact lens with 58% water content.
  Founded subsidiary - PEGAVISION HOLDINGS CORPORATION.
- Dec 2011 Attained CE certification for cosmetic soft contact lenses with 38% and 58% water content.
  Three branches were established in Greater Taipei Region.
- Jan 2012 Introduction of automatic scheduling system.
- Feb 2012 Attained certification from CFDA for hydrophilic soft contact lens with 38% and 58% water content.
- Mar 2012 Attained certification from TFDA for cosmetic soft contact lens with 38% and 58% water content.
- Apr 2012 Attained certification from the U.S. FDA for soft contact lens with 58% water content.
- July 2012 Completed share capital reduction and cash issue of One Hundred and Eighty Million New Taiwan Dollars at the same time. Share capital was maintained at Three Hundred and Sixty Million New Taiwan Dollars.
- Sep 2012 Founded Shanghai subsidiary - PEGAVISION (Shanghai) Co., Ltd.
  Attained CE certification for silicone hydrogel-based soft contact lens.
- Nov 2012 Obtained rights from United States Adopted Names (USAN) to name the Company's high oxygen permeability lens material.
  Completed a cash issue for working capital that increased share capital to Four Hundred and Twenty Million New Taiwan Dollars.
- Jan 2013 Became the only company in Taiwan to deliver contact lenses through 7-11 Convenience Stores.
  Launched the world's first contact lenses to be preserved in solutions fortified with vitamin B6, B12, E and hyaluronic acid.
- Mar 2013 Established the first branch in Taichung to serve customers in central Taiwan.
  Commenced OEM service for colored contact lenses in Japan.
- Apr 2013 The first in Taiwan to set up official counters in Watsons - a nationwide pharmacy chain.
  Attained certification from the U.S. FDA for soft contact lens with 38% water content.
- June 2013 The first in Taiwan to launch limited-edition colored daily disposable contact lenses.
  Established the first branch in Hsinchu to serve local customers.
- July 2013 Completed installation and commenced mass production with silicone hydrogel production equipment.
  Attained certification from TFDA for toric and cosmetic toric soft contact lenses with 58% water content.

- Aug 2013 Adopted POS system from Data Systems Consulting.
  Attained certification from CFDA for cosmetic hydrophilic soft contact lenses with 38% and 58% water content.
- Sep 2013 Commenced mass production of the automatic boxing line. Established the first branch in Kaohsiung to serve customers in southern Taiwan.
- Oct 2013 Attained certification from TFDA for toric, multifocal, cosmetic toric, and cosmetic multifocal soft contact lenses with 38% water content.
  Attained certification from TFDA for multifocal and cosmetic multifocal soft contact lenses with 58% water content.
  Commenced mass production of progressive lenses (presbyopia lenses).
- Dec 2013 Developed Pegavision Cloud to facilitate computerized production management. Machinery data (AOI/PLC) is uploaded to the cloud for analysis and improvement.
  Completed a cash issue for working capital that increased share capital to Five Hundred Million New Taiwan Dollars.
  Branch count increased to 40 nationwide while member size (Pegavision Fan Club) exceeded 100,000. More than 3 million lenses were sold each month.
  Attained certification from TFDA for toric, multifocal, cosmetic toric, and cosmetic multifocal soft contact lenses with 55% water content.
- Jan 2014 Attained certification from CFDA for hydrophilic soft contact lens with 58% water content (including proprietary solution formula with vitamins).
- Mar 2014 Introduced the first APP-based delivery service in Taiwan.
- Apr 2014 Commenced mass production of multi-axis toric lenses.
  Attained certification from TFDA for toric, multifocal, cosmetic toric, and cosmetic multifocal soft contact lenses with 58% water content (including proprietary solution formula with vitamins).
  Attained CE certification for soft contact lens with 62% water content.
- May 2014 Commenced mass production with the first high-capacity cosmetic contact lens production equipment, and completed development of high-capacity hydration line.
  Attained certification from TFDA for silicone hydrogel-based soft contact lens with 46% water content.
- June 2014 Became the first contact lens maker from Taiwan to participate in British Contact Lens Association Exhibition, a renowned exhibition in UK.
  Launched Taiwan's first six-in-one colored daily disposable contact lens.
  Attained certification from TFDA for silicone hydrogel-based toric, multifocal soft contact lens with 48% water content..
- July 2014 Successfully introduced the Company's proprietary, patented high oxygen permeability, silicone hydrogel-based materials into the European market.
- Aug 2014 Completed a cash issue for working capital that increased share capital to Six Hundred Million New Taiwan Dollars.
- Oct 2014 Received approval for public offering of shares.
- Dec 2014 Shares were listed for trading on Emerging Stock Board.
- Mar 2015 Attained certification from PMDA (Japan) for daily disposable and cosmetic contact lenses with 58% water content.
  Attained certification from TFDA for toric, multifocal, cosmetic toric, and cosmetic multifocal soft contact lens with 62% water content.
- May 2015 Founded Japanese subsidiary - Pegavision Japan.
- Nov 2015 Attained certification from TFDA for silicone hydrogel-based toric and multifocal soft contact lenses with 55% water content.
- Jan 2016 Attained certification from TFDA for blue light-blocking toric and multifocal soft contact lens with 58% water content.
- Mar 2016 Attained certification from TFDA for toric, multifocal, cosmetic toric, and cosmetic multifocal soft contact lenses with 62% water content (including proprietary solution formula with vitamins).
- Aug 2016 Passed the first zero defect inspection from the U.S. FDA.
  Attained certification from MFDA (Korea) for soft contact lens with 58% water content.
- Oct 2016 Attained certification from MFDA (Korea) for cosmetic soft contact lens with 58% water content.
  Attained certification from PMDA (Japan) for general and cosmetic soft contact lenses with 58% water content (including solution with moisturization formula).
  Attained certification for ISO13485 Medical devices -- Quality management systems in Ukraine.
  Attained certification for OHSAS18001 and ISO14001.
- Dec 2016 Attained certification from the U.S. FDA for toric and multifocal soft contact lenses with 58% water content (including solution with hyaluronic acid formula).

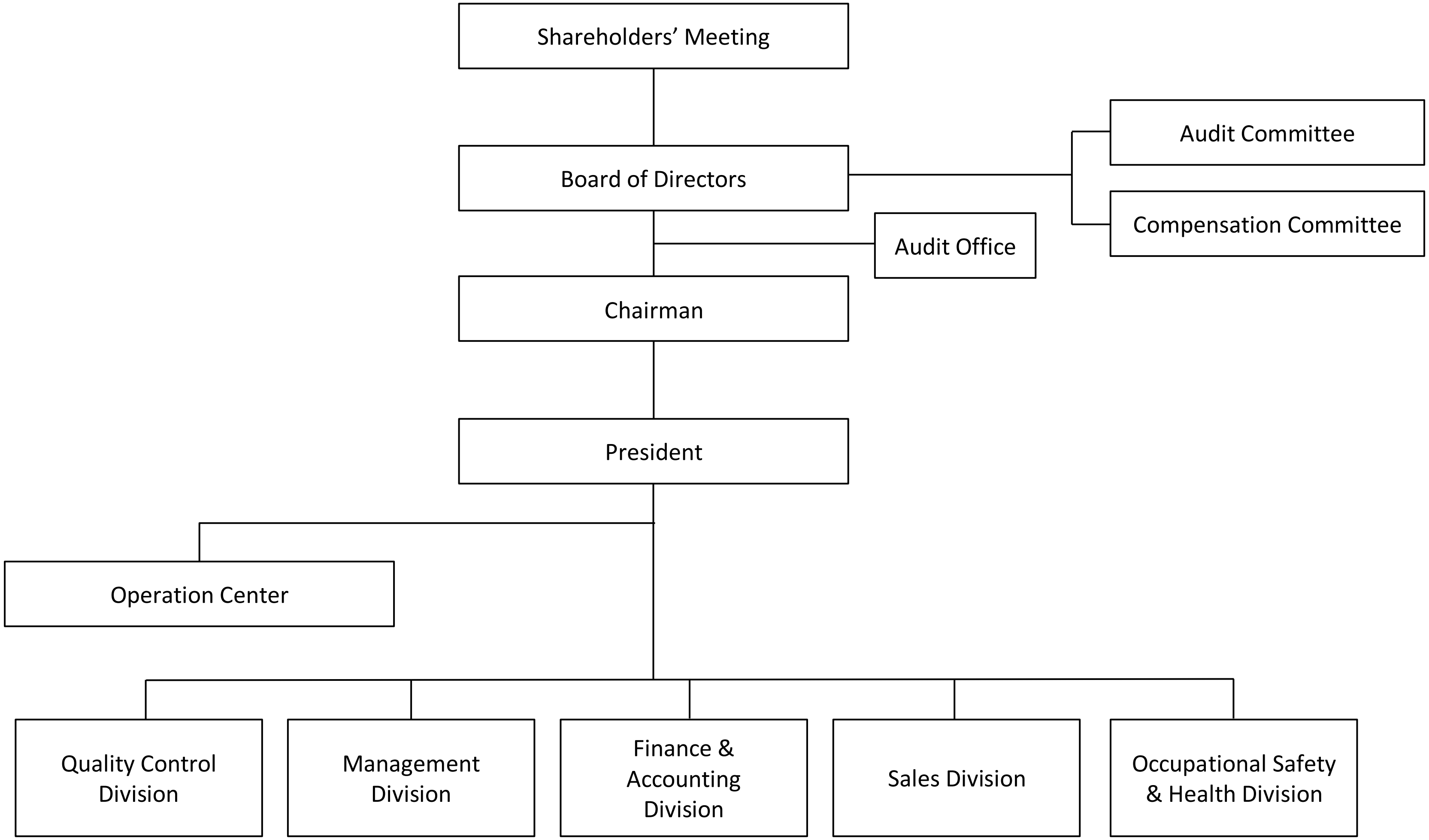
- Jan 2017 Worked with Taiwanese illustrator for the first time for the launch of colored contact lens - the Malayan Tapir series.
  The Company's first large-scale advertising campaign - [For Eyes to Speak Out] won 1 silver, 2 bronze and 3 honorable mentions in the Times Awards.
- Feb 2017 The Company's [Fleur] and [Muriel Eye] product series won the 2017 Taiwan Excellence Award.
- Apr 2017 The Company's first large-scale advertising campaign - [For Eyes to Speak Out] was named Top 10 Creative Ideas of 2016 by Brain Magazine.
- May 2017 Attained certification from PMDA (Japan) for toric and cosmetic soft contact lenses with 58% water content (including solution with moisturization formula).
- July 2017 Sponsored Eden Social Welfare Foundation by donating NT$5 for every box of clear contact lenses sold to Flying Slow Angels Fund.
- Sep 2017 The light travel series won Best Sales Award in Watsons HWB Awards.
- Nov 2017 Attained certification from PMDA (Japan) for daily disposable and cosmetic soft contact lenses with 38% water content (including solution with moisturization formula).
  The Japanese subsidiary - Pegavision Japan became an official member of Japan Contact Lens Association (JCLA).
  Implemented e-invoice at branches nationwide.
- Dec 2017 Annual revenues exceeded NT$2 billion.
- Mar 2018 Created official website for Hong Kong to serve members of the Pegavision Fan Club in Hong Kong and Macao areas.
- June 2018 Signed contract with Inventec to acquire land and plant facilities in Daxi, Taoyuan, for capacity expansion and growth. (The land had an area of 26,568 m2 and the building had a floor area of 22,357 m2; the transaction amounted to NT$1.38 billion, excluding business tax)
- Nov 2018 Received bronze award for Talent Quality Management System (TTQS) - Corporate Version from Ministry of Labor.
- Dec 2018 Sponsored Eden Social Welfare Foundation by donating NT$5 for every box of clear contact lenses sold to Flying Slow Angels Fund.
  Taiwan branches became part of Taipei Rapid Transit Corporation's "Taipei 100 Select."
  Annual revenues exceeded NT$3 billion.
- Jan 2019 Expanded open-shelf distribution to cosmetic channels including Watsons, Cosmed, TOMOD's, Make Beauty and OK Mart.
- Mar 2019 Attained certification from HSA (Singapore) for general and cosmetic soft contact lenses with 38% and 58% water content (including solution with moisturization formula).
- Apr 2019 Named 2019 "Technology Sector Best Employer" by 1111 Job Bank.
  Attained certification from PMDA (Japan) for multifocal and cosmetic soft contact lenses with 58% water content (including solution with moisturization formula).
- May 2019 Attained certification from NMPA (China) for hydrophilic soft contact lens with 38% and 58% water content (including solution with moisturization formula).
  The size of Pegavision Fan Club reached new height and exceeded 750,000.
- June 2019 Attained certification from MFDA (Korea) for cosmetic soft contact lenses with 58% water content (including solution with moisturization formula).
- Aug 2019 Company's 10-year anniversary.
- Oct 2019 Became the first contact lens company in Taiwan to be listed on Taiwan Stock Exchange Corporation.
  Daxi Plant commenced construction.
  Attained certification from MOH (Vietnam) and Thai FDA for cosmetic soft contact lenses with 38% and 58% water content.
- Nov 2019 Launched Black 2.0 Health Bright Drink manufactured by TCI Co., Ltd.
- Dec 2019 Commenced sale of Pegavision's proprietary progressive, multifocal, clear daily disposable lens in Taiwan.
  Annual revenues exceeded NT$3.3 billion.
- July 2020 Pegavision's Daxi Plant obtained Taiwan GMP and ISO13485 certifications.
- Aug 2020 The First Mint Cool Daily Disposable Soft Contact Lenses to obtain TFDA certification (featuring menthol as cooling agent in the solution).
- Sep 2020 Published the Company's first corporate social responsibility report.
- Oct 2020 Obtained U.S. FDA 510(k) clearance for toric and multifocal cosmetic soft contact lenses.
  Obtained EU: CE certification for silicone hydrogel-based soft contact lens.
  Received silver award for Talent Quality Management System (TTQS) - Corporate Version from Ministry of Labor.
- Nov 2020 Won "Sustainability Resilience Pilot Award" from British Standards Institution (BSI).

Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart

As of 03/27/2021



3.1.2 Department Functions

President Office

- Defines the Company's business strategies and operational goals; supervises goal execution and evaluates performance.
- Defines the function, responsibilities and authority of each department; devises and implements projects; appoints department heads and project hosts; and coordinates and supports overseas subsidiaries in business promotion and project implementation.
- Enforcement of business integrity policy, establishment and supervising execution of business integrity policy, and making regular reports to the board of directors.

Audit Office

- Audits and evaluates operational records and internal control system for accuracy, reliability, efficiency and effectiveness; and offers recommendations in ways that improve business continuity, minimize risk and fraud, and ensure the effectiveness of internal control.
- Evaluation and audit of internal management systems and making of internal audit plans.

Operation Center

- Responsible for new product development, design, trial production and mass production; execution and tracking of product/production plans; preparation and application for medical instrument permit; and patent strategy and protection.
- Responsible for the development, design, procurement and improvement of machinery, equipment and software, as well as the repair and maintenance of plant buildings throughout the organization.
- Responsible for design or injection molds, development and evaluation of injection technology and molds, development and improvement of ultra-precision technology, and installation, operation and maintenance of ultra-precision machinery and inspection equipment.
- Responsible for development and improvement of production technology, production management/scheduling and warehousing.
- Responsible for manufacturing of finished and semi-finished goods, production outsourcing, quality control, packaging and assembly.
- Responsible for studying medical instrument laws of different countries.
- Study of clinical laws and application of medical instrument permits for products in various countries.

Quality Control Division

- Responsible for inspection of raw materials, semi-finished goods and finished goods, as well as execution of product/procedure quality control.
- Responsible for the establishment and implementation of quality assurance system, customer complaint handling and quality audit plan, as well as follow-up review of audit findings.
- Control, analysis and review of defective products.
- Calibration and management of measuring instruments.

Management Division

- Enforcement of corporate social responsibilities, proposal and execution of CSR-related policies, systems, strategies and projects.
- Responsible for the planning, development and execution of the Company's management information system, and the acquisition, usage and maintenance of system hardware and software.
- General tasks including administration, file/contract management, personnel affairs, procurement, general affairs, and MIS.

Finance & Accounting Division

- Responsible for cash disbursement, capital planning, bookkeeping, taxation, financial statement preparation, budget review, credit control, collection and finance/accounting related tasks.
- Shareholder-related tasks.

Sales Division

- Market survey, gathering and analysis of market intelligence.
- Planning and execution of business goals, customer service, product sale, new product development and exploration of new markets and opportunities.

Occupational Safety & Health Division

- Planning, implementation and supervision of occupational safety and health management practices.
- Planning and supervision of safety and health training and occupational hazard prevention programs.

3.2 Board Members and Management Team

3.2.1 Board Members

Information Regarding Board Members

As of 12/31/2021

Title/Name	Natio-nality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Selected Current Positions
						Shares	%	Shares	%	Shares	%		
Chairman/ T.H. Tung	R.O.C	Male	6/14/2018	3	8/12/2009	645,729	1.08	645,729	0.92	-	-	Master degree in Computer and Communication Engineering, National Taipei University of Technology Honorary PH.D in Engineering, National Taipei University of Technology Vice Chairman of Asustek Computer Inc. ("Asus")	Note 1
Vice Chairman/ Peter Kuo	R.O.C	Male	6/14/2018	3	8/12/2009	1,928,868	3.21	1,928,868	2.76	335,249	0.48	Electrical Engineering, National Taipei University of Technology President of Unicap Electronics	Note 2
Director/ Kinsus Investment Co., Ltd.	R.O.C	-	6/14/2018	3	8/12/2009	22,088,736	36.81	21,233,736	30.33	-	-	-	-
Director/ Rep. : TS Yang	R.O.C	Male			6/14/2018	387,437	0.65	452,437	0.65	-	-	Master of Business Administration, National Chengchi University Senior Vice President of Kinsus Interconnect Technology Corp. President of Piotek Computer (Suzhou) Co., Ltd President of Flexium Interconnect Inc.	Note 3
Director/ Kinsus Investment Co., Ltd.	R.O.C	-	6/14/2018	3	8/12/2009	22,088,736	36.81	21,233,736	30.33	-	-	-	-
Rep. : Scott Chen	R.O.C	Male			6/14/2018	328,292	0.55	250,292	0.36	-	-	Physics, National Tsing Hua University President of Kinsus Interconnect Technology Corporation Manufacturing Manager of Motorola Taiwan	Note 4
Director/ Asuspower Investment Co., Ltd.	R.O.C	-	6/14/2018	3	8/12/2009	5,701,121	9.50	5,480,121	7.83	-	-	-	-
Rep. : Jeffrey Wun	R.O.C	Male			6/14/2018	-	-	-	-	-	-	Master's degree in Mechanical Engineering, National Tsing Hua University Vice President of UMAX Computer Corporation	Note 5

Title/Name	Natio-nality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Selected Current Positions
						Shares	%	Shares	%	Shares	%		
Director/ Asuspower Investment Co., Ltd.	R.O.C	-	6/14/2018	3	8/12/2009	5,701,121	9.50	5,480,121	7.83	-	-	-	-
Rep. : Wen-Yung Ho	R.O.C	Male			6/16/2015	-	-	-	-	-	-	Medicine, Taipei Medical University Doctor of Medicine, National Taiwan University Associate Professor of Taipei Medical University Attending Physician of National Taiwan University Hospital Director of Chinese Television System Inc. Director of Taiwan Public Television Service Foundation	Note 6
Independent Director/ Eric Yao	R.O.C	Male	6/14/2018	3	6/16/2015	-	-	-	-	-	-	Architecture, TungHai University Professor, Department of Architecture, TungHai University Associate Professor, Department of Architecture, TungHai University Chair Professor of Taipei National University of the Arts	Note 7
Independent Director/ Andrew T. Huang	U.S.	Male	6/14/2018	3	6/16/2015	-	-	-	-	-	-	Medicine, National Taiwan University	Note 8
Independent Director/ Shu-Yu Lee	R.O.C	Female	6/14/2018	3	6/14/2017	-	-	-	-	-	-	Accounting, National Chengchi University Master of Business Administration, National Chengchi University Senior Vice President of Friendly Securities Co., Ltd. Sales Vice President of Mega Securities Co., Ltd. Sales Vice President of Fubon Securities Co. Ltd.	Note 9

Note 1: Chairman and Group CEO of Pegatron Corp.
Chairman of Kinsus Investmebt Co., Ltd., Lumens Digital Optics Inc., Asus Investment Co., Ltd., Asuspower Investment Co., Ltd., Asustek Investment Co., Ltd, Ri-Kuan Metal Corporation, and Fisfisa Media Co., Ltd.
Director of Kinsus Interconnect Technology Corp., Asrock Incorporation, AzureWave Technologies, Inc., FuYang Technology Corp., Hua-Yuan Investment Ltd., Asfly Travel Service Ltd., Wise Investment Ltd., Pega International Ltd., Casetek Holdings Ltd. (Cayman), Pegatron Holding Ltd., Unihan Holding Ltd., Magnificent Brightness Ltd., Casetek Holdings Ltd., Protek Global Holdings Ltd., Digitek Global Holdings Ltd., Kinsus Corp.(USA), Pegatron Holland Holding B.V., Powtek Holdings Limited, Cotek Holdings Limited, Grand Upright Technology Ltd., Aslink Precision Co., Ltd., The Alliance Cultural Foundation, Hanguang Education Foundation, Lung Yingtai Cultural Foundation, Andrew T. Huang Medical Education Promotion Fund, Fair Winds Foundation, Bridge Across the Strait Foundation, Fullfoods Foundation, Bulareyaung Dance and Cultural Foundation, Q Place Creative Inc., and Chinese Culture and Creative Industries Association.
Vice Chairman of Monte Jode Science & Technology Association.
Council member of Taipei Computer Association.
Supervisor of National Performing Arts Center.

Note 2: Chairman & Chief Executive Officer of Kinsus Interconnect Technology Corp.
Director of Kinsus Corp. (USA), Kinsus Investment Co., Ltd., Kinsus Holding(Samoa) Ltd., Kinsus Holding (Cayman) Ltd., Piotek Holding Ltd., Piotek Holdings Ltd.(Cayman), Piotek (HK) Trading Ltd.

Note 3: Supervisor of Fuyang Technology Corp.; President of Aquamax Corporation.

Note 4: President of Kinsus Interconnect Technology Corp.; Director of Fuyang Technology Corp.

Note 5: President & Director of Lumens Digital Optics Inc.; Compensation Committee Member of Avision Inc.

Note 6: Director of Andrew T. Huang Medical Education Promotion Fund, GFC Foundation, Fullfoods Foundation, Fu-Chih Culture Corp.

Note 7: Co-founder and person-in-charge of dX Creative House, dX Media and Eric Yao Creative Consultant; Independent Director of Eslite Spectrum; Director of Taishin Charity Foundation, Kingdom Yu San Education Foundation, Taiwan Friendship Association, and Cloud Gate Culture and Arts Foundation.

Note 8: Director, Superintendent and CEO of Koo Foundation Sun Yat-San Cancer Center ; Chairman of Andrew T. Huang Medical Education Promotion Fund; Duke University - Professor of Internal Medicine; Consulting Member of NHRI Forum; Member of the Advisory Board of Duke Institute of Global Health.

Note 9: Regional COO of Friendly Capital Co., Ltd., Dire ctor of Service & Quality Co., Ltd.

Major Shareholders of the Institutional Shareholders

As of 12/31/2020

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Asuspower Investment Co., Ltd.	Pegatron Corporation	100
Kinsus Investment Co., Ltd.	Kinsus Interconnect Technology Corporation	100

Major Shareholders of the Major Shareholders that are Juridical Persons

As of 04/21/2020

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Pegatron Corporation	Asustek Computer Inc. (Representative: Jonney Shih)	17.18
	T.H.Tung	3.61
	Silchester International Investors International Value Equity Trust	2.88
	Jonney Shih	2.57
	Special Investment Account of Citibank as Custodian for Singapore Government	2.33
	Ted Hsu	2.16
	Morgan Stanley & Co. International Plc	1.57
	Cathay Life Insurance Company, Ltd.	1.54
	Silchester International Investors International Value Equity Taxable Trust	1.45
	Nan Shan Life Insurance Co., Ltd.	1.43

As of 03/30/2020

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Kinsus Interconnect Technology Corp.	Asus Investment Co., Ltd.	13.33
	Asustek Co., Ltd.(Representative: Yan-Xue Su)	12.91
	Asuspower Investment Co., Ltd.(Representative: Xiang-Xiang Wu)	12.32
	Cathay Life Insurance Company, Ltd.	3.24
	Bank of Taiwan in its Capacity as Master Custodian for Investment Account of Mars Investment Co., Ltd.	2.09
	New Labor Pension Fund	1.61
	Special Investment Account of Chase Bank as Custodian for Abu Dhabi Investment Authority	1.52
	Nan Shan Life Insurance Company Ltd.	1.33
	JP Morgan Chase Bank in its Capacity as Master Custodian for PGIA Progress International Equity Index	1.16
	Special Account of Allianz Global Investors Taiwan Fund	0.92

Directors' Professional Qualifications and Independent Analysis

Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)												Number of Other Public Companies Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accouting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Othewise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
T.H Tung			V				V		V		V	V	V	V	V	0
Peter Kuo			V				V		V		V	V	V	V	V	0
Kinsus Investment Co., Ltd. Rep.: TS Yang			V			V	V	V	V	V	V	V	V	V		0
Kinsus Investment Co., Ltd. Rep.: Scott Chen			V			V	V	V	V		V	V	V	V		0
Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun			V			V	V	V	V	V	V	V	V	V		0
Asuspower Investment Co., Ltd. Rep.: Wen-Yung Ho			V	V	V	V	V	V	V	V	V	V	V	V		0
Andrew T. Huang			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Eric Yao	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1
Shu-Yu Lee			V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note:

Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

(1) Not an employee of the Company or any of its affiliates;

(2) Not a director or supervisor of the Company or any of its affiliates(This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);

(3) Not a natural-person shareholder who holds shares, together with those held by the person s spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

(4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).;

(5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);

(6) Not a director, supervisor or employee of any company that holds directorship in the Company or has more than half of voting rights controlled by a single natural person(This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);

(7) Does not assume concurrent duty and is not a spouse to the Company's Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);

(8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company. (However, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company or in the Company's parent or subsidiaries or in another subsidiary of the parent that is compliant with the Act or local law);

(9) Not a professional, owner, partner, director, supervisor or manager of any sole proprietorship, partnership, company or institution that provides audit service to the Company or its affiliate, or provides commercial, legal

or accounting service but is compensated for less than NT$500,000 total in the last two years, and not a spouse to any of the above parties. This excludes duties performed as a member of remuneration committee, public acquisition committee or M&A special committee in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act;

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;

(11) Not been a person of any conditions defined in Article 30 of the Company Law; and

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

As of 03/27/2021

Title / Name	Nationality	Gender	On-board Date	Current Shareholding		Selected Education & Past Positions	Selected Current Positions at Pegavision and Other Companies
				Shares	%		
President/ TS Yang	R.O.C.	Male	1/1/2017	452,437	0.65	Master of Business Administration, National Chengchi University Senior Vice President of Kinsus Interconnect Technology Corp. President of Piotek Computer (Suzhou) Co., Ltd President of Flexium Interconnect Inc.	Supervisor of Fuyang Technology Corp.
Vice President of Operation Center/ Terry Chang	R.O.C.	Male	8/3/2009	145,343	0.21	Master of Chemistry, National Yunlin University of Science and Technology Prodisc Technology Inc. - Manager	None
Senior Manager of Quality Control Division/ Gary Lee	R.O.C.	Male	4/11/2017	2,000	0.00	Master of Radiation Biology, National Tsing Hua University Lingsen Precision Industries Ltd. - Manager	None
Director of Management Division & Occupational Safety & Health Division/ Danny Lee	R.O.C.	Male	10/12/2017	-	-	Master of Industrial Engineering, National Chiao Tung University KINSUS Interconnect Technology Corp. - Assistant Vice President	None
Director of Finance & Accounting Division/ Tony Wang	R.O.C.	Male	12/27/2013	188,669	0.27	Department of Accounting, National Taipei University Pegatron Corporation - Senior Manager	None
Director of Sales Division/ Gwendolyn Kao	R.O.C.	Female	2/18/2013	70,000	0.10	MBA, Peter Drucker School of Management United Renewable Energy CO., Ltd. - Manager	None
Section Manager of Audit Office/ Evelyn Lu	R.O.C.	Female	5/5/2014	-	-	Department of Banking and Finance, Kainan University Global Lighting Technologies Inc. - Auditor	None

3.2.3 Remuneration Paid to Directors, President, and Vice President

Director's Remuneration

Unit: NT$thousand

Title / Name	Director's Remuneration of 2020								Total Remuneration (A+B+C+D) as a % of Net Income After Tax	
	Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowance (D)			
	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities
Chairman/ T.H Tung Director/ Peter Kuo Director/Kinsus Investment Co., Ltd. Rep.: TS Yang Director/Kinsus Investment Co., Ltd. Rep.: Scott Chen Director/ Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun Director/ Asuspower Investment Co., Ltd. ep.: Wen-Yung Ho	800	800	-	-	9,328	9,328	-	-	1.42	1.42
Independent Director/ Andrew T. Huang Independent Director/ Eric Yao Independent Director/ Shu-Yu Lee	2,400	2,400	-	-	-	-	-	-	0.34	0.34

Title / Name	Compensation Earned by a Director Who is an Employee of Pegavision or of Pegavision's Consolidated Entities						(A+B+C+D+E+F+G) as a % of Net Income After Tax		Compensation from invested businesses other than subsidiaries
	Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employees' Profit Sharing Bonus (G)				
	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	
Chairman/ T.H Tung Director/ Peter Kuo Director/Kinsus Investment Co., Ltd. Rep.: TS Yang Director/Kinsus Investment Co., Ltd. Rep.: Scott Chen Director/ Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun Director/ Asuspower Investment Co., Ltd. ep.: Wen-Yung Ho	4,758	4,758	-	-	3,600	3,600	2.58	2.58	76,024
Independent Director/ Andrew T. Huang Independent Director/ Eric Yao Independent Director/ Shu-Yu Lee	-	-	-	-	-	-	0.34	0.34	-

- The remuneration policy, system, standards and structure for independent directors, and how the amount of remuneration is determined in association with their duties, risks, time commitment or other factors: Remuneration is determined based on peer levels after taking into account the level of business risks borne by the Company.
- Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in 2020, except those disclosed in the above table: None.

Compensation bracket table

Range of compensation paid to directors	Name of Director			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	From Pegavision	From all consolidated entities	From Pegavision	From parent company and all invested businesses
NT$0 ~ NT$999,999	TS Yang、Scott Chen、Jeffrey Wun、Wen-Yung Ho、Andrew T. Huang、Eric Yao、Shu-Yu Lee	TS Yang、Scott Chen、Jeffrey Wun、Wen-Yung Ho、Andrew T. Huang、Eric Yao、Shu-Yu Lee	Scott Chen、Jeffrey Wun、Wen-Yung Ho、Andrew T. Huang、Eric Yao、Shu-Yu Lee	Jeffrey Wun、Wen-Yung Ho、Andrew T. Huang、Eric Yao、Shu-Yu Lee
NT$1,000,000 ~ NT$1,999,999	Asuspower Investment Co., Ltd.	Asuspower Investment Co., Ltd.	Asuspower Investment Co., Ltd.	Asuspower Investment Co., Ltd.
NT$2,000,000 ~ NT$3,499,999	T.H Tung、Peter Kuo、Kinsus Investment Co., Ltd.	T.H Tung、Peter Kuo、Kinsus Investment Co., Ltd.	T.H Tung、Peter Kuo、Kinsus Investment Co., Ltd.	Kinsus Investment Co., Ltd.
NT$3,500,000 ~ NT$4,999,999				
NT$5,000,000 ~ NT$9,999,999			TS Yang	TS Yang、Scott Chen
NT$10,000,000 ~ NT$14,999,999				Peter Kuo
NT$15,000,000 ~ NT$29,999,999				
NT$30,000,000 ~ NT$49,999,999				
NT$50,000,000 ~ NT$99,999,999				T.H Tung
Over NT$100,000,000				
Total	11	11	11	11

Compensation Paid to President and Vice President

Unit: NT$thousand

Title/Name	President's Remuneration of 2020								Total Remuneration (A+B+C+D) as a % of Net Income After Tax	
	Base Compensation (A)		Severance Pay and Pensions (B)		Bonuses, and Allowances (C)		Employees' Profit Sharing Bonus (D)			
	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities
President/ TS Yang Vice President/ Terry Chang	5,712	5,712	-	-	1,748	1,748	5,900	5,900	1.87	1.87

Range of compensation paid to presidents	Name of Presidents	
	From Pegavision	From all consolidated entities
NT$0 ~ NT$999,999		
NT$1,000,000 ~ NT$1,999,999		
NT$2,000,000 ~ NT$3,499,999		
NT$3,500,000 ~ NT$4,999,999		
NT$5,000,000 ~ NT$9,999,999	TS Yang、Terry Chang	TS Yang、Terry Chang
NT$10,000,000 ~ NT$14,999,999		
NT$15,000,000 ~ NT$29,999,999		
NT$30,000,000 ~ NT$49,999,999		
NT$50,000,000 ~ NT$99,999,999		
Over NT$100,000,000		
Total	2	2

Names of managers who received employee remuneration

Unit: NT$thousand

Title/Name	Stock	Cash	Total	Ratio of Total Amount to Net Income After Tax (%)
President/TS Yang Vice President/Terry Chang Director of Finance & Accounting Division/ Tony Wang	-	7,200	7,200	1.01

Compare and state the ratio of total remuneration paid to the Company's Directors, President and Vice Presidents by the company and the companies in the consolidated financial statements to net income in the past two years

Title	2019 Ratio of Total Remuneration to Net Income After Tax (%)		2020 Ratio of Total Remuneration to Net Income After Tax (%)	
	From Pegavision	From All consolidated entities	From Pegavision	From all consolidated entities
Director	3.96	3.96	2.92	2.92
President and Vice President	3.72	3.72	1.87	1.87

Remuneration for the Company's directors has been outlined in the Articles of Incorporation, that the sharing bonus to the Directors shall not exceed one (1) percent of the profits, and may take into account the extent and value of the services provided for the management of the Company and the standards of the industry with the R.O.C. and overseas, and is subject to board of directors' approval before payment. Compensation package for the managers includes salary, bonus and employee remuneration, which are determined based on job position, the responsibilities undertaken, contributions to the Company, and peer levels. The procedures for determining compensation were established according to Articles of Incorporation and level of approval authority. The amount of compensation paid to directors and managers has already taken into account the positive correlation between future business risk and future performance, and is set at a level that caters for continuity and risk management at the same time.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors Meeting Status

A total of 6 (A) meetings of the Board of Directors were held in 2020. The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)
Chairman	T.H. Tung	5	1	83%
Director	Peter Kuo	6	0	100%
Director	Kinsus Investment Co., Ltd. Rep.: TS Yang	6	0	100%
Director	Kinsus Investment Co., Ltd. Rep.: Scott Chen	6	0	100%
Director	Asuspower Investment Co., Ltd. Rep.: Wen-Yung Ho	5	1	83%
Director	Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun	6	0	100%
Independent Director	Andrew T. Huang	6	0	100%
Independent Director	Eric Yao	6	0	100%
Independent Director	Shu-Yu Lee	5	1	83%

Other mentionable items:

1. (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has set up an audit committee, and the provisions of Article 14-3 does not apply. For the explanation of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the audit committee (page 18).

   (2) Any objections or expressed reservations raised by independent directors against board resolutions that were recorded or stated in writing in relation to matters other than those described above : None.

2. Disclosure regarding avoidance of interest-conflicting motions:

Meeting Date	Motion	Conflicting interests and voting outcome
2020 4th meeting 2020/7/27	• 2020 salary adjustment for the Company's managers. • Distribution of 2019 bonus for the Company's managers.	The two motions concerned the self-interests of Director TS Yang and managers. Under the chairperson's instruction, Director TS Yang and attending managers were asked to disassociate from the motion. After recusal, the motion was passed unanimously by all remaining directors.
2020 6th meeting 2020/12/28	• Distribution of 2020 "year-end bonus" to the Company's managers.	The motion concerned the self-interests of Director TS Yang and managers. Under the chairperson's instruction, Director TS Yang and attending managers were asked to disassociate from the motion. After recusal, the motion was passed unanimously by all remaining directors.

3. Self-evaluation of the board of directors

   (1) Evaluation cycle and period: The board of directors of the company shall conduct the performance evaluation of the board of directors once a year, and the evaluation period is from January 1 to December 31 of the current year, and the evaluation shall be completed before the end of the first quarter of the next year.

   (2) Scope of evaluation: performance evaluation of the operation of the board of directors of the company.

   (3) Evaluation methods: including the self-evaluation of directors, the internal self-evaluation of the board of directors or other appropriate methods for performance evaluation.

   (4) Evaluation content

   A. The measurement items of performance evaluation include the following five aspects:
   - Degree of participation in the operation of the company.
   - Improvement of the decision-making quality of the board of directors.
   - Composition and structure of the board of directors.
   - Director selection and continuing education.
   - Internal control.

   B. The measurement items of self-evaluation include the following six aspects:
   - Mastery of company goals and tasks.
   - Awareness of directors' responsibilities.
   - Degree of participation in the operation of the company.

- Internal relationship management and communication.
- Professional and continuing education of directors.
- Internal control.

4. Enhancements to the functionality of board of directors in the current and most recent year, and the progress of such enhancements: In addition to implementing Board of Directors Conference Rules, the board of directors has been adequately empowered to operate in accordance with the rules and relevant laws. Both the chief internal auditor and chief financial officer are requested to report progress on internal audit and financial position at board meetings, and are able to produce useful reports for reference.

Implementation status of board evaluation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	January 1, 2020 to December 31, 2020	Performance evaluation of the operation of the board of directors of the company	Internal self-evaluation of the board as a whole - "Board of Directors Performance Evaluation Self-evaluation Questionnaire"	The measurement items of the "Board of Directors Performance Evaluation Self-evaluation Questionnaire" cover five aspects: degree of participation in the operation of the company, improvement of the decision-making quality of the board of directors, composition and structure of the board of directors, director selection and continuing education, and internal control, with 44 evaluation indicators.
			Internal self-evaluation of board members - "Board Member Performance Evaluation Self-evaluation Questionnaire"	The measurement items of the "Board Member Performance Evaluation Self-evaluation Questionnaire" cover six aspects: directors include six aspects: mastery of company goals and tasks, awareness of directors' responsibilities, degree of participation in the operation of the company, internal relationship management and communication, professional and continuing education of directors, and internal control, with a total of 20 evaluation indicators.

3.3.2 Audit Committee Meeting Status

A total of 5 meetings of the audit committee were held in 2020. The independent directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)
Independent Director	Andrew T. Huang	5	0	100%
Independent Director	Eric Yao	5	0	100%
Independent Director	Shu-Yu Lee	4	1	80%

Other mentionable items:

1. For audit committee meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the company has responded to such opinions:

(1) Conditions described in Article 14-5 of the Securities and Exchange Act:

Meeting Date	Motion	Resolutions
2020 1st meeting 2020/2/10	• 2019 financial statements, consolidated financial statements and business report. • Amendments to "Audit Committee Foundation Principles". • Amendments to "Rules of Procedure of Board Meetings". • Amendments to "Rules of Procedure of Shareholders' Meetings". • Passed the 2019 Declaration of Internal Control System.	Passed unanimously by all attending members
2020 5th meeting 2020/12/28	• Establishment of the 2021 audit plan. • Assessment of independence and appointment of financial statement auditor for 2021.	

(2) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors:

Board of Director Meeting Date	Motion	Resolutions
2020 5th meeting 2020/10/26	• Amendments to the Company's "Rules of Procedure of Shareholders' Meetings", "Rules of Procedure of Board Meetings", "Method for the Election of Directors", "Regulations on the Scope of Responsibilities of Independent Directors", "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operation Procedures and Behavioral Guidelines", and establishments of the Company's "Measures for Performance Evaluation of the Board of Directors" and "Risk Management Policies and Procedures".	This motion was not included as a motion in the audit committee meeting, but was approved by the board meeting with the consent of all the members present.

2. Avoidance of involvements in interest-conflicting discussions by independent directors; state the names of concerned independent directors, the discussions, the nature of conflicting interests, and the voting process: None.
3. Communication between independent directors and internal/external auditors
   (1) The director of internal audit of the Company communicates the audit report results with the independent directors every month, and reports the internal audit results at the quarterly audit committee meeting. In case of special circumstances, it will also report to the independent directors immediately. There was no such special situation in 2020. The communication between the audit committee and the internal audit director of the Company is good.
   (2) The independent auditor of the Company reports on the audit or review of the financial statements of the current quarter at the audit committee meeting each quarter. In case of special circumstances, it will also report to the independent directors immediately. There was no such special situation in 2020. The Company's audit committee has good communication with the independent auditor.

Annual key tasks and progress

Key tasks:

- Financial report
- Auditing and accounting policies and procedures
- Internal control systems and related policies and procedures
- Major asset or derivative transactions
- Major loans, endorsements or guarantees
- Offering or issuance of securities
- Derivatives and cash investments
- Compliance
- Whether or not managers and directors are involved in related party transactions and prone to conflict of interest
- Fraud prevention plan and investigation report
- Grievance report
- Information security
- Corporate risk management
- Background, independence and performance of financial statement auditors
- Appointment, dismissal or remuneration of financial statement auditors
- Appointment and dismissal of finance, accounting or internal audit managers
- Fulfillment of Audit Committee duties
- Audit Committee performance self-assessment questionnaire

Progress:

Motions for 2020 apart from the matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting Date	Motion	Resolutions
2020 1st meeting 2020/2/10	• 2019 earnings appropriation.	Passed unanimously by all attending members

3.3.3 Compensation Committee Meeting Status

Compensation Committee Member's Professional Qualifications and Independent Analysis

Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)										Number of Other Public Companies Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accouting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Othewise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Andrew T. Huang			V	V	V	V	V	V	V	V	V	V	V	0
Eric Yao	V		V	V	V	V	V	V	V	V	V	V	V	1
Shu-Yu Lee			V	V	V	V	V	V	V	V	V	V	V	0

Note:
Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the Company or any of its affiliates;
2. Not a director or supervisor of the Company or any of its affiliates(This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);
3. Not a natural-person shareholder who holds shares, together with those held by the persons spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).;
5. Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);
6. Not a director, supervisor or employee of any company that holds directorship in the Company or has more than half of voting rights controlled by a single natural person(This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);
7. Does not assume concurrent duty and is not a spouse to the Company's Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the same parent company that are compliant with The Company Act or local laws);
8. Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company. (However, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company or in the Company's parent or subsidiaries or in another subsidiary of the parent that is compliant with the Act or local law)；
9. Not a professional, owner, partner, director, supervisor or manager of any sole proprietorship, partnership, company or institution that provides audit service to the Company or its affiliate, or provides commercial, legal or accounting service but is compensated for less than NT$500,000 total in the last two years, and not a spouse to any of the above parties. This excludes duties performed as a member of remuneration committee, public acquisition committee or M&A special committee in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act; and
10. Not been a person of any conditions defined in Article 30 of the Company Law.

Compensation Committee Meeting Status

Tenure of the session of Compensation committee is from 14th June, 2018 to 13th June, 2021. A total of 3 meetings of the Compensation Committee were held in 2020. The status of attendance is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)
Chair	Andrew T. Huang	3	0	100%
Member	Eric Yao	3	0	100%
Member	Shu-Yu Lee	2	1	67%

Other mentionable items:

1. In the event that the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's proposals: None.
2. Should any member object or express qualified opinions to the resolution made by the Compensation Committee, whether on-record or in writing, describe the date and session of the meeting, details of the topics discussed, the entire members' opinions, and how their opinions were addressed: None.

Meeting Date	Motion	Resolutions
7th meeting of the 3rd board/ 2020.2.10	• Allocation of director remuneration for 2019.	Passed unanimously by all attending members
8th meeting of the 3rd board/ 2020.7.27	• 2020 salary adjustment for the Company's managers. • Distribution of 2019 bonus for the Company's managers.	
9th meeting of the 3rd board/ 2020.12.28	• Distribution of 2020 "year-end bonus" to the Company's managers.	

3.3.4 Corporate Governance Implementation Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	V		The company has a "Corporate Governance Code of Practice" which is disclosed on the company's official website.	None
2. Shareholding Structure & Shareholders' Rights (1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(1) In order to ensure the rights and interests of shareholders, the company has a spokesperson and an investor mailbox in place to deal with suggestions, doubts or disputes of shareholders. If litigation issues are involved, the company's legal affairs personnel and legal consultants will assist in handling them. (2) The Company and its share transfer agent are regularly informed of the identities of its major shareholders and controller. (3) The company has formulated and implemented the "Measures for the Management of Transactions between Group Enterprises and Related Parties" and "Measures for the Supervision of Subsidiaries". (4) The Company has "Insider Trading Prevention Policy" in place to prevent insiders from trading securities against non-public information.	None
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly? (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees? (3) Has the Company established a set of board performance evaluation policy and methods and conducted performance assessments on a yearly basis? Are assessment outcomes presented to the board and used as reference for compensating and nominating board members? (4) Does the Company regularly evaluate its external auditors' independence?	V		(1) At present, the board of directors of the company is composed of nine directors, including one female director, with professional backgrounds in computers, motors, business management, machinery, physics, machinery, medicine, construction and accounting, and who have operation judgment, accounting and financial analysis, operation management, crisis management, industrial knowledge, international market perspective, leadership and decision making abilities that are helpful to the company's development and operation. There are three independent directors, accounting for one third of all directors. (2) The company has a Compensation Committee and Audit Committee in place, but no other functional committees yet. (3) The company has a "Board Performance Evaluation Method" which specifies the evaluation method. The performance evaluation of the previous year shall be completed before the end of the first quarter of each year, and the evaluation results shall be reported to the board of directors for reference when the board selects or nominates directors. (4) Independence of the financial statement auditor is assessed every year, for which Ernst & Young is required to issue a "Statement of Independence" according to	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>Statement of CPA Professional Ethics No. 10, produce a checklist of conditions mentioned in Articles 46 and 47 of Certified Public Accountant Act, and evaluate whether the CPAs conform with the following criteria:
• Is not involved in any task that concerns the CPA's own interest;
• Does not request for, commit to or accept any illegal gain or compensation;
• Is not employed by the client or the audited party for regular job, does not receive fixed salary and does not assume position of director or supervisor;
• Is not a spouse, direct blood relative, direct relative by affinity, or collateral blood relative of second degree or closer with the person-in-charge or any manager of the client or audited party;
• Does not engage the client or audited party in any arrangement characterized as investment or sharing of financial benefit, whether through self, spouse or underage child;
• Does not provide non-auditing service such as management consultation that would compromise independence.
The assessment found no violation of independence.</td><td></td></tr>
<tr><td>4. Has the Company assigned competent and adequate number of staff to oversee corporate governance, including a Corporate Governance Officer that is responsible for corporate governance-related affairs (including but not limited to furnish information required for business execution by directors, assisting directors and supervisors with compliance, handle matters relating to board meetings and shareholders' meetings according to laws, record minutes of board meetings and shareholders meetings, etc.)?</td><td>V</td><td></td><td>During the board of directors meeting held on October 28, 2019, a resolution was passed to appoint Tony Wang, head of Finance & Accounting Division, as the Corporate Governance Officer, whose duties are to protect shareholders' interest and support the board in various duties. Director Tony Wang has accumulated more than three years of work experience as treasurer in a public company. Main duties of the Corporate Governance Officer are to make preparations for board of directors and shareholder meetings, prepare board meeting and shareholder meeting minutes, assist directors and supervisors with ongoing education, provide directors and supervisors with the information needed to perform duties, and assist directors and supervisors with compliance issues. Continuing education completed in 2020:
<table>
<tr><th>Course date</th><th>Organizer</th><th>Course name</th><th>Course hours</th><th>Total hours trained during the year</th></tr>
<tr><td>2020/4/27</td><td>Taiwan Corporate Governance Association</td><td>Practice and Case Analysis of Enterprise M&A</td><td>3</td><td rowspan="2">12</td></tr>
<tr><td>2020/10/8</td><td>The Institute of Internal Auditors-Chinese</td><td>Power BI - Risk Assessment and Visual Analysis</td><td>6</td></tr>
</table></td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td></td><td>Taiwan</td><td></td><td></td><td></td></tr><tr><td>2020/10/16</td><td>Taiwan Stock Exchange Corporation</td><td>2020 Promotional Meeting on Corporate Governance and Ethical Corporate Management for Directors and Supervisors</td><td>3</td><td></td></tr></table></td><td></td></tr>
<tr><td>5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?</td><td>V</td><td></td><td>The Company has a “Stakeholder Zone” on its website to provide a channel for stakeholders to communicate with and respond appropriately to the concerns of stakeholders, including corporate social responsibility issues. For details, please refer to the Company’s CSR Report.</td><td>None</td></tr>
<tr><td>6. Has the Company appointed a professional registrar for its Shareholders’ Meetings?</td><td>V</td><td></td><td>The Company commissions the Stock Administration Department of KGI Securities to handle shareholder meeting affairs.</td><td>None</td></tr>
<tr><td>7. Information Disclosure
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?
(3) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?</td><td>V</td><td></td><td>(1) The Company’s website (http://www.pegavision.com/tw/) is available in both Chinese and English and discloses financial, business and corporate governance information.
(2) The Company has dedicated departments to collect and disclose information externally according to regulations, and has a spokesperson and acting spokesperson in place. The relevant contents of the Company’s corporate investor briefings are also disclosed on the Company’s website.
(3) In accordance with the regulations, the Company announces and declares its annual financial report within two months after the end of the accounting year, and announces and declares its financial report for the first, second and third quarters and the operation of each month ahead of the specified deadline. For the state of the information disclosure, please refer to the MOPS.</td><td>None</td></tr>
<tr><td>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</td><td>V</td><td></td><td>(1) For employee rights and employee care, please refer to “5.3.2 Employee Relations” (page 53-54) of this annual report
(2) The Company has an investor zone on its website, which provides shareholders’ meeting information, financial reports and major information in both Chinese and English, so as to improve operational transparency.
(3) The Company maintains good relationships and smooth communication channels</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			with investors, suppliers, customers and other stakeholders. (4) All of the Company's directors had completed the required number of training hours specified in "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" in 2020. (5) In the fourth quarter of 2020, the Company held an annual risk management committee meeting in accordance with the company's "Risk Management Policy and Procedure" which was presided over by the president, and the top executives of all responsible units reported on their business risk monitoring and countermeasures. The president also reported the annual risk management operation status to the board meeting on December 28, 2020. (6) The Company has purchased liability insurance for directors and managers.	

9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not required if the Company is not one of the evaluated subjects) : The Company was not included as a company subject to evaluation in 2019; the 2020 annual evaluation results have not been published as of the printing of this annual report.

3.3.5 Social Responsibility Implemenetation Status and Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>1. Has the Company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?</td><td>V</td><td></td><td>Based on the principle of the materiality of corporate social responsibility, the Company conducts risk assessment on important issues, and formulates relevant risk management policies or strategies according to the assessed risks as follows:
<table>
<tr><td>Risk aspect</td><td>Assessment Item</td><td>Risk management policy or strategy</td></tr>
<tr><td>Environmental</td><td>Climate change, energy conservation and carbon reduction</td><td>• Formulation of environmental safety and health policy.
• Introduction of ISO 14001 environmental management system.</td></tr>
<tr><td>Social</td><td>Brand management</td><td>Reduce the pressure of external competition and meet the needs of consumers through product differentiation; make all products compliant with international quality certification and abide by the medical material standards of all countries.</td></tr>
<tr><td>Corporate governance</td><td>Ethical corporate management</td><td>• Developed the Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles.
• Established a whistleblowing system.</td></tr>
</table></td><td>None</td></tr>
<tr><td>2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?</td><td>V</td><td></td><td>The Management Division of the Company concurrently serves as the corporate social responsibility promotion unit. The Corporate Social Responsibility Committee was also established in 2020, with the president as the chairman and the director of the Management Division as the management representative. Its members include the Audit Office, HR Department, Administration Department, Purchasing Department, Finance & Accounting Department, Occupational Safety and Health Department, Sales Department and IT Department which jointly discuss and implement annual corporate social responsibility issues and affairs, and report to the president regularly. If necessary, the Management Division will also report the handling situation to the board meeting.</td><td>None</td></tr>
<tr><td>3. Environmental Issues
(1) Has the Company set an Environmental management system designed to industry characteristics?

(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</td><td>V</td><td></td><td>
(1) The Company has established an environmental management system in accordance with ISO 14001, and obtained certification from a third-party certifying body. The certificate has been disclosed on the Company’s website.
(2) The Company is committed to improving the efficiency in the use of electricity, water, paper, etc. and reducing the impact of operations on the environment by</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			improving product design, manufacturing and packaging. Please refer to the "Sustainable Environment" chapter in the Corporate Social Responsibility Report of the Company (http://www.pegavision.com/tw/csr8.php) (year 2019, page 60–69).	
(3) Does the company assess potential risks and opportunities associated with climate change and undertake measures in response to climate issues?			(3) The Company has evaluated that the ability to transform to a low-carbon operation mode is the key factor for an enterprise to improve their competitiveness. Therefore, it actively promotes industrial waste reduction and energy saving, formulates energy-saving improvement plans, and carries out various reduction activities. Please refer to the "Sustainable Environment" chapter in the Corporate Social Responsibility Report of the Company for details. (http://www.pegavision.com/tw/csr8.php) (year 2019, page 60–69).	
(4) Does the company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?			(4) The Company regularly tracks and counts the total weight of water consumed and waste generated, and formulates policies for energy conservation, carbon reduction, water consumption reduction and waste management. Please refer to the "Sustainable Environment" chapter in the Corporate Social Responsibility Report of the Company for details. (http://www.pegavision.com/tw/csr8.php) (year 2019, page 60–69).	
4. Social Issues (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?			(1) The Company has formulated relevant management policies and procedures in accordance with the laws and regulations of the place where the Company is located, and in accordance with the "United Nations Guiding Principles on Business and Human Rights". Please refer to the "Employee Care" chapter in the Corporate Social Responsibility Report of the Company for details. (http://www.pegavision.com/tw/csr8.php) (year 2019, page 72–84).	None
(2) Has the Company established appropriately managed employee appeal procedures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		(2) In addition to the monthly allocation and quarterly payment of employee bonuses at a certain proportion of the pre-tax net profit, in 2020, the company allocated NT$107 million of employees' remuneration at 11.5% of the pre-tax net profit to share the operating results with all employees. Please refer to "5.3.2 Employee relations" (page 53-54) of this report for details on employee welfare measures and implementation.	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?			(3) Please refer to "Employees' safety, protection measures in work environment and implementation"on page 54 of this report.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(4) Has the Company established effective career development training plans? (5) Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures? (6) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues and tracked suppliers' performance on a regular basis?			(4) In 2020, the company was awarded the silver medal by the Labor Development Department of the Ministry of Labor for its Talent Training Quality System (TTQS). Please refer to the "Talent Cultivation" chapter of the company's CSR report (http://www.pegavision.com/tw/csr8.php) (year 2019, page 81–82). (5) The Company markets and packages its products entirely in compliance with Pharmaceutical Affairs Act, Medical Devices Act, Medical Instrument Advertising Regulations and Review Principles, Personal Information Protection Act and international standard EN ISO 15223-1. Consumers who are dissatisfied or have opinions toward the services provided are able to contact the Company via channels such as consumer service hotline and e-mail. All requests, suggestions and disputes are handled by dedicated departments with the intent to resolve the underlying issues. Please refer to the "Product & Service" chapter of the company's CSR report (http://www.pegavision.com/tw/csr8.php) (year 2019, page 42–57). (6) The Company's Supplier Safety and Health Self-assessment and Review requires that all contractors be assessed on nine major items including staffing of occupational safety and health management personnel, occupational safety and health management plan, and labor health management. In addition, corporate social responsibility clauses are included in the supplier contract. Please refer to the "Sustainable Environment" chapter in the Corporate Social Responsibility Report of the Company (http://www.pegavision.com/tw/csr8.php) (year 2019, page 99–101).	
5. Does the company prepare corporate social responsibility report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?		V	According to the core options of GRI standards, the Company voluntarily prepared the 2019 CSR report. The report has been verified by the British Standards Institute (BSI). Please refer to the Corporate Social Responsibility Report of the Company for details (http://www.pegavision.com/tw/csr8.php)	None
6. If the company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None.				
7. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: Please refer to Pegavision's website for its corporate social responsibility implementation status (http://www.pegavision.com/tw/csr2.php)				

3.3.6 Corporate Conduct and Ethics Implementation Status and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of ethical corporate management policies and programs (1) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment? (2) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TPEx Listed Companies"? (3) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		(1) The Company's "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Behavior Guideline" were approved by the board meeting and published on the Company's website. All directors and senior management of the Company have also signed the "Declaration of Compliance with the Ethical Corporate Management Policy". (2) The Company has implemented a set of "Business Integrity Procedures and Behavioral Guidelines" based on the outcome of risk assessments performed on business activities of higher risk of dishonesty. The above procedures and guidelines cover all preventive measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies". (3) The Company's "Ethical Corporate Management Operating Procedures and Behavior Guideline" specifically regulates the operating procedures, behavior guidelines, punishment for violation of regulations and appeal system, and the internal audit unit shall check the compliance from time to time. The President's Office reviews these regulations annually, and the latest version of the regulations was issued on October 26, 2020.	None
2. Ethic Management Practice (1) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(1) The Company and subsidiaries ensure compliance with The Company Act, Securities and Exchange Act, Business Entity Accounting Act and all laws applicable at places of business, which provide the foundation for integrity management. Prior to engaging in commercial transactions, the Company is required to evaluate the legitimacy of its distributors, suppliers, customers and counterparties, investigate whether they were previously involved in dishonest conducts, and avoid dealing with entities that demonstrate poor integrity. Contract signed with an external party should include an integrity clause that gives the Company the right to terminate the contract if the counterparty is found to have been involved in dishonest conducts.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis?			(2) The The President's Office of the Company is responsible for the promotion of ethical corporate management; it is in charge of the formulation, supervision and implementation of the ethical corporate management policy and prevention plan, and reports the implementation status to the board meeting at least once a year. The 2020 operation and implementation status is as follows: • The Ethical Corporate Management Policy and Unethical Behavior Prevention Plan were revised and passed on October 26, 2020 by the board meeting; • The Statement of Compliance with Ethical Corporate Management Policy was prepared and signed by all directors and senior management; • The Measures for Handling Whistleblowing Incidents were formulated, and the whistleblowing method was announced on the Company's website and internal website; • In August, a promotional meeting on ethical corporate management - prevention of insider trading was held for employees above deputy manager level, and internal training on ethical corporate management for all employees of Taiwanese nationality was arranged in November. A total of 1,206 people completed the training; • The result was reported to the board meeting on December 28, 2020.	
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication andcomplaint channels and implement such policies properly?			(3) The Company has implemented an "Integrity Code of Conduct" and "Ethical Conduct Guidelines" to prevent conflict of interest. Contacts and channels have also been made available to enable report of illegal or unethical conduct.	
(4) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?			(4) The Company has developed effective and fully computerized accounting policy and internal control system, and assigned internal auditors to devise audit plans based on the outcome of integrity risk assessment, as well as to audit employees' compliance with various preventions against dishonest conduct.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?			(5) The Company holds ethical corporate management training every year. In 2020, a total of 1,206 people completed ethical corporate management related courses.	
3. Implementation of Complaint Procedures (1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? (2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(1) In the Company's "Ethical Corporate Management Operating Procedures and Behavior Guideline", there is a specific reporting and reward system for unethical behavior of the Company's employees which is announced on the Company's internal and external websites, and under the charge of the Audit Office. (2) The Company's "Measures for Handling Accusation Incidents" are the standard operating procedures for accepting accusation matters which include acceptance requirements, case handling procedures, protection measures for accusers and	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?			data preservation. (3) According to the Company's regulations, the relevant staff dealing with whistleblowing cases shall keep the identity of the whistleblower and the content confidential, and the Company shall not impose dismissal, job transfer, demotion, salary reduction, demerit or any other punishment unfavorable to the whistleblower due to their act.	
4. Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		The Company has announced its "Ethical Corporate Management Best Practice Principles" on the Company website and the MOPS, and disclosed the "Ethical Corporate Management Operating Procedures and Behavior Guideline" and the annual focus on the Company website.	None
5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): In addition to "Integrity Code of Conduct," the Company also has other internal policies such as Ethical Conduct Guidelines and Insider Trading Prevention in place.				

3.3.7 Corporate governance principles and inquiry methods

The Company has established a corporate governance code of conduct and related policies, all of which have been effected with board of directors' and shareholders' approval. Details can be found on the Company's website (http://www.pegavision.com/tw/) and Market Observation Post System.

3.3.8 Resignation or Dismissal of Chairman, President, Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D during 2020 and as of the Date of this Annual Report:

Title / Name	On-Board Date	Date of Resignation or Dismissal	Reasons for Resignation or Dismissal
Vice President/ Yuchin Lai	July 15, 2010	February 20, 2020	Retirement

3.3.9 Other information material to the understanding of corporate governance: Please visit the Company's website (http://www.pegavision.com/tw/).

3.3.10 Internal Control System Execution Status

Statement of Internal Control System

Pegavision Corporation

Statement of Internal Control System

January 29, 2021

Based on the findings of self-assessment, Pegavision Corporation states the following with regard to its internal control system during the year 2020:

1. Pegavision's Board of Directors and management are responsible for establishing, implementing and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with of applicable ruling, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Pegavision takes immediate remedial actions in response to any deficiencies.
3. Pegavision evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities.
4. Pegavision has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Pegavision believes that, on December 31, 2020, it has maintained, in all material respects, and effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the applicable ruling, laws and regulations.
6. This Statement is an integral part of Pegavision's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on January 29, 2021 with none of nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Pegavision Corporation

Chairman/T.H. Tung President/TS Yang

If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report:
None.

3.3.11 Penalties imposed against the company for regulatory violation, or penalties against employees for violation of internal control system, in the most recent year up till the publication date of annual report that may significantly impact shareholders' interest or security price; describe details of the penalty, areas of weakness and any corrective actions taken: None

3.3.12 Major Decisions of Shareholders' Meeting and Board Meetings

Major Resolution of Annual General Shareholders' Meeting and the Execution Progress

Pegavision held 2020 Annual General Shareholders' Meeting on May 27, 2020. At the meeting, shareholders approved the following resolutions:

1. Amendments to the Company's "Rules of Procedure of Shareholders' Meeting".
   Execution: Resolution passed. Approved for registration by the authority on July 11, 2019.
2. Acknowledgment of 2019 earnings appropriation.
   Execution: Decision was made to distribute cash dividends at NT$2.5 per common share; June 17, 2020 was set as the cash dividend baseline date, and payment of cash dividends was scheduled to take place on July 9, 2020.

Major Resolution of Board Meeting

1. Board Meeting of February 10, 2020:
   - Allocation of employee remuneration for 2019;
   - Allocation of director remuneration for 2019;
   - 2019 financial statements, consolidated financial statements and business report;
   - 2019 earnings distribution and authorization to the Chairman of the Board for setting the ex-dividend date;
   - Amendments to "Audit Committee Charter";
   - Amendments to "Rules of Procedure of Board Meeting";
   - Amendments to "Rules of Procedure of Shareholders' Meeting";
   - Application for the establishment of a subsidiary;
   - Convention of 2020 annual general meeting, and acceptance of motion proposal from shareholders with more than 1% ownership interest;
   - Passed the 2019 Statement of Internal Control System;
   - Retirement/resignation of the Company's vice presidents.
2. Board Meeting of April 13, 2020:
   - Added the motion of the Company's 2020 annual general shareholders' meeting.
3. Board Meeting of April 27, 2020:
   - Renewal of bank credit line.
4. Board Meeting of July 27, 2020:
   - Application for export loan limits with banks.
   - Amendments to the Company's "Corporate Governance Code of Practice".
   - Amendments to the Company's "Corporate Social Responsibility Best Practice Principles".
   - Amendments to the Company's "Code of Ethical Conduct".
5. Board Meeting of October 26, 2020:
   - Application for additional capital expenditure in 2020.
   - Application for the establishment of a subsidiary.
   - Amendments to the Company's "Rules of Procedure of Shareholders' Meeting", "Rules of Procedure of Board Meeting", "Measures for Election of Directors", "Scope of Responsibilities of Independent Directors", "Ethical Corporate Management Best Practice Principles" and "Operating Procedures of Ethical Corporate Management and Behavior Guidelines", and update of the company's "Board Performance Evaluation Method" and "Risk Management Policy and Procedures".
6. Board Meeting of December 28, 2020:
   - The 2021 operating plan and budget;
   - The 2021 audit plan;
   - Assessment of independence and appointment of financial statement auditor for 2021.
7. Board Meeting of January 29, 2021:
   - Allocation of employee remuneration for 2020;
   - Allocation of director remuneration for 2020;
   - 2020 financial statements, consolidated financial statements and business report;
   - Distribution of cash dividends from 2020 earnings;
   - General re-election of directors of the company.
   - Nomination and review of candidates for directors (including independent directors).
   - Lifting of the non-competition restriction on new directors.
   - Convention of 2021 annual general meeting, and acceptance of motion proposal from shareholders with more than 1% ownership interest;
   - Passed the 2020 Statement of Internal Control System.

3.3.13 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important

Resolutions Passed by the Board of Directors during 2020 and as of the Date of this Annual Report: None.

3.4 CPA's Information

Accounting Firm	CPA		Audit Period
Ernst & Young Taiwan	Wells Cheng	Eric Kuo	January 1, 2020 ~ December 31, 2020

Item / Amount Bracket	Audit Fee	Non-audit Fee	Total
NT$0 ~ NT$1,999,999		V	
NT$2,000,000 ~ NT$3,999,999	V		V
NT$4,000,000 ~ NT$5,999,999			
NT$6,000,000 ~ NT$7,999,999			
NT$8,000,000 ~ NT$9,999,999			
Over NT$10,000,000			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Non-audit Fee					CPA's Audit Period	Remark
		System Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young Taiwan	Wells Cheng Eric Kuo	-	30	-	340	370	01/01/2020 ~ 12/31/2020	Others: NT$170 thousand for transfer pricing report and NT$170 thousand for the Group's main file report

3.4.1 Non-audit remuneration to financial statement auditors, accounting firms and related businesses that amount to one-quarter or higher of audit remuneration: None.

3.4.2 Any replacement of accounting firm and reduction in audit remuneration paid compared with the previous year: None.

3.4.3 Any reduction in audit remuneration by more than 10% compared to the previous year: None.

3.4.4 Change of CPA: Not applicable.

3.4.5 Pegavision's Chairman, President, and Managers in Charge of Its Finance and Accounting Operations Who Had Hold Any Positions within Pegavision's Audit Firm or Its Affiliates in the Most Recent Year: None.

3.5 Net Change in Shareholding by Directors, Management and Shareholders with 10% Shareholdings or More

3.5.1 Net Change in Shareholding

Relationship with Pegavision	Name	2020		01/01/2021~03/27/2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	T.H. Tung	-	-	-	-
Director	Peter Kuo	-	-	-	-
Director & Shareholder with 10% Shareholdings or More	Kinsus Investment Co., Ltd.	-	-	-	-
Representative of Kinsus Investment Co., Ltd. and President	TS Yang	-	-	-	-
Representative of Kinsus Investment Co., Ltd.	Scott Chen	(12,000)	-	(19,000)	-
Director & Shareholder with 10% Shareholdings or More	Asuspower Investment Co., Ltd.	-	-	-	-
Representative of Asuspower Investment Co., Ltd.	Jeffrey Wun	-	-	-	-
Representative of Asuspower Investment Co., Ltd.	Wen-Yong Hou	-	-	-	-
Independent Director	Eric Yao	-	-	-	-
Independent Director	Andrew T. Huang	-	-	-	-
Independent Director	Shu-Yu Lee	-	-	-	-
Vice President	Yuchin Lai	-	-	-	-
Vice President	Terry Chang	42,000	-	-	-
Director of Finance & Accounting Division	Tony Wang	-	-	(9,000)	-

Note: Vice President Lai resigned from office due to retirement, the resignation taking effect on February 20, 2020.

3.5.2 Stock Trade with Related Party: None.

3.5.3 Stock Pledge with Related Party: None.

3.6 Relationship Party Relationship among Pegavision's 10 Largest Shareholders

As of March 27, 2021

Name	Current Shareholdings		Spouse & Minor Shareholdings		Pegavision Shareholdings by Nominee Arrangement		Name and Relationship between Pegavision's Shareholders	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Kinsus Investment Co., Ltd. (Rep.: T.H. Tung)	21,233,736	30.33	-	-	-	-	Kinsus Investment Co., Ltd., Asuspower Investment Co., Ltd., Asustek Co., Ltd.	Chairman of these companies is the same person
Asuspower Investment Co., Ltd. (Rep.: T.H. Tung)	5,480,121	7.83	-	-	-	-		
Asustek Co., Ltd. (Rep.: T.H. Tung)	4,934,434	7.05	-	-	-	-		
Po-Wen Liu	4,888,166	6.98	-	-	-	-	-	-
Peter Kuo	1,928,868	2.76	320,249	0.46	-	-	Kinsus Investment Co., Ltd.,	Director
Teng-Yao Investment Co., Ltd. (Rep.: Keng-Wei Chang)	1,291,458	1.84	-	-	-	-	-	-
Special Account of Allianz Global Investors Taiwan Fund	1,009,000	1.44	-	-	-	-	-	-
Public Service Pension Fund Management Board	754,000	1.08	-	-	-	-	-	-
Special Investment Account of Chase Bank as Custodian for Schroders International Selection Fund Taiwanese Equity	690,000	0.99	-	-	-	-	-	-
New-system Labor Pension Fund	673,500	0.96	-	-	-	-	-	-

3.7 Long Term Investment Ownership

As of December 31, 2020

Long Term Investment	Ownership by Pegavision (1)		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries (2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
Pegavision Japan Inc.	198	100	-	-	198	100
Pegavision Contact Lenses (Shanghai) Corporation	-	100	-	-	-	100
Gemvision Technology (Zhejiang) Limited	-	100	-	-	-	100
Pegavision Corporation	4,000,000	100	-	-	4,000,000	100
Aquamax Vision Corporation	6,000,000	100	-	-	6,000,000	100

Capital and Shares

4.1 Capital and Shares

4.1.1 Type of Stock

Unit: Share As of March 27, 2021

Type of Stock	Authorized Share Capital			Remarks
	Issued Shares	Unissued Shares	Total	
Common Stock	70,000,000	10,000,000	80,000,000	Listed

4.1.2 Capitalization

Unit: Share/NT$ As of March 27, 2021

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Documents No.
08/2009	10	80,000,000	800,000,000	36,000,000	360,000,000	Initial Capital $360,000,000	None	Note 1
07/2012	10	80,000,000	800,000,000	18,000,000	180,000,000	Capital Reduction $180,000,000	None	Note 2
08/2012	10	80,000,000	800,000,000	36,000,000	360,000,000	Capital Increase in Cash $180,000,000	None	Note 3
11/2012	10	80,000,000	800,000,000	42,000,000	420,000,000	Capital Increase in Cash $60,000,000	None	Note 4
01/2014	15	80,000,000	800,000,000	50,000,000	500,000,000	Capital Increase in Cash $80,000,000	None	Note 5
09/2014	30	80,000,000	800,000,000	60,000,000	600,000,000	Capital Increase in Cash $100,000,000	None	Note 6
10/2019	152	80,000,000	800,000,000	70,000,000	700,000,000	Capital Increase in Cash $100,000,000	None	Note 7

Note:
1. 08/26/2009 Ministry of Economic Affairs Ching-Shou-Chung No. 09832938430
2. 07/17/2012 Ministry of Economic Affairs Ching-Shou-Chung No. 10132266400
3. 08/09/2012 Ministry of Economic Affairs Ching-Shou-Chung No. 10132358250
4. 11/22/2012 Ministry of Economic Affairs Ching-Shou-Chung No. 10132753120
5. 01/13/2014 Ministry of Economic Affairs Ching-Shou-Chung No. 10301006480
6. 09/10/2014 Ministry of Economic Affairs Ching-Shou-Chung No. 10301185990
7. 10/21/2019 Ministry of Economic Affairs Ching-Shou-Chung No. 10801143550

Shelf Registration: None.

4.1.3 Compostion of Shareholders

As of March 27, 2021

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	-	4	65	2,636	119	2,824
Shareholding	-	114,000	37,494,755	22,187,087	10,204,158	70,000,000
Holding Percentage	-	0.16	53.56	31.70	14.58	100

4.1.4 Distribution Profile of Share Ownership

Common Share/Par Value:NT$10/share | As of March 27, 2021

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership Percentage
1-999	655	55,738	0.08
1,000-5,000	1,702	2,758,035	3.94
5,001-10,000	144	1,154,295	1.65
10,001-15,000	61	790,227	1.13
15,001-20,000	37	688,192	0.98
20,001-30,000	46	1,187,679	1.70
30,001-50,000	48	1,889,445	2.70
50,001-100,000	59	4,113,687	5.88
100,001-200,000	37	5,325,691	7.61
200,001-400,000	15	4,123,976	5.89
400,001-600,000	9	4,384,023	6.26
600,001-800,000	4	2,763,229	3.95
800,001-1,000,000	-	-	-
Over 1,000,001	7	40,765,783	58.23
Total	2,824	70,000,000	100.00

Preferred Shares: None.

4.1.5 Major Shareholders

Common Share | As of March 27, 2021

Shareholder	Total Shares Owned	Ownership Percentage
Kinsus Investment Co., Ltd.	21,233,736	30.33
Asuspower Investment Co., Ltd.	5,480,121	7.83
Asustek Co., Ltd.	4,934,434	7.05
Po-Wen Liu	4,888,166	6.98
Peter Kuo	1,928,868	2.76
Teng-Yao Investment Co., Ltd.	1,291,458	1.84
Special Account of Allianz Global Investors Taiwan Fund	1,009,000	1.44
Public Service Pension Fund Management Board	754,000	1.08
Special Investment Account of Chase Bank as Custodian for Schroders International Selection Fund Taiwanese Equity	690,000	0.99
New-system Labor Pension Fund	673,500	0.96

4.1.6 Market Price, Net Worth, Earnings, and Dividends Per Common Share

Unit: NT$, except for weighted average shares and return on investment ratios

Item	2019	2020 (Note)
Market Price Per Share		
Highest Market Price	183	295
Lowest Market Price	154.50	81.50
Average Market Price	169.29	181.61
Net Worth Per Share		
Before Distribution	57.91	65.65
After Distribution	55.41	60.65
Earnings Per Share		
Weighted Average Shares (thousand shares)	62,438	70,000
Diluted Earnings Per Share	7.62	10.22
Dividends Per Share		
Cash Dividends	2.50	5.00
Accumulated Undistributed Dividend	-	-
Return on Investment		
Price/Earnings Ratio	22.21	17.77
Price/Dividend Ratio	67.72	36.32
Cash Dividend Yield	1.48%	2.75%

Note: The cash dividend distribution of 2020 earnings has been passed by the board of directors but has yet to be reported in 2021 shareholder meeting.

4.1.7 Dividend Policy and Distribution of Earnings

When allocating the earnings after the close of each fiscal year, Pegavision shall first estimate and reserve the taxes to be paid, offset its losses, set aside a Legal Capital Reserve at ten (10) percent of the remaining earnings provided that the amount of Accumulated Legal Capital Reserve has not reached the amount of the paid-in Capital of the Corporation, then set aside a Special Capital Reserve in accordance with relevant laws, rules or regulations or as requested by the Competent Authority. The Proposal Concerning the Distribution of Earnings of the remaining amount and the Accumulated Retained Earnings is prepared by the Board of Directors and submitted to the shareholders' meeting for the decision of distribution or retaining. 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 Bord of Directors attended by two-thirds of the total number of directors, and report to the shareholder's meeting.

The distribution of dividends of Pegavision shall coordinate with earnings of the year based on the principle of stabilization. Due to the rapid changes in the industry, Pegavision shall adopt a Dividend Balancing Policy to distribute the cash dividend at the rate not less than ten (10) percent of the total distribution under Article 27-1 based on a plan of future capital needs and long term operation.

The 2020 earnings appropriation proposal, as shown below, has been adopted by the board of directors during the meeting held on January 29, 2021. This proposal shall be executed according to relevant rules once it is resolved during the annual general meeting scheduled on May 25, 2021. The Company is currently in a stage of rapid growth. In the future, in line with overall capital demand and operation planning, the Company will every year distribute at least 5% of the that year's distributable earnings as cash dividend.

Unit: NT$

Item	Amount
Beginning retained earnings	1,202,597,392
Add: Net income after tax in 2020	715,358,609
Subtotal	1,917,956,001
Appropriation items:	
Legal capital reserve (10%)	(71,535,861)
Reversal of special capital reserve	1,651,872
Distributable amount of 2020	1,848,072,012
Distribution:	
Cash dividends paid to common shareholders (NT$ 5 per share)	(350,000,000)
Unappropriated retained earnings	1,498,072,012

4.1.8 Impact to 2020 Business Performance and EPS Resulting from Stock Dividend Distribution:

Not applicable.

4.1.9 Compensation to Directors and Profit Sharing Bonus to Employees

Percentage or range of employee/director remuneration stated in the Articles of Incorporation

Pegavision shall set aside its profits of the period for which Pegavision distributes the earnings as compensation to its employees and Directors; provided, however, that Pegavision shall have reserved a sufficient amount to offset its Accumulated Losses as follows:

1. Not less than ten (10) percent to the employees, which may be distributed by way of cash or share. Pegavision may distribute the earnings to its employees of an affiliated company meeting the conditions set by the Board of Directors.
2. Not more than one (1) percent to the Directors.

Basis for estimating employee/director remuneration and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid

Employee and director remuneration are determined based on the percentages outlined in the Articles of Incorporation, and estimated for each financial year. The Company recognized NT$107.316 million of employee remuneration and NT$9.332 million of director remuneration in 2020; both amounts were presented as part of salary expense. The board of directors meeting dated January 29, 2021 passed a resolution to distribute NT$107.316 million of employee remuneration and NT$9.328 million of director remuneration. Any difference between the amount estimated and the amount resolved by board of directors is recognized through next year's income statement.

Information of employee remuneration approved by board of directors in 2020

1. Amounts of employee cash remuneration, stock remuneration and director remuneration allocated:

	Amount allocated (NTD)
Employee remuneration - in cash	107,315,533
Director remuneration	9,328,000

2. Percentage of employee remuneration paid in shares, relative to net income and total employee remuneration shown in current standalone financial statements: Not applicable as all employee remuneration will be paid in cash.
3. Earnings per share after the effect of employee and director remuneration: Employee and director remuneration are expensed in the income statement, hence not applicable.

Distribution of employee/director remuneration in the previous year

Amount of 2019 employee remuneration, share-based compensation and director/supervisor remuneration resolved during board of directors meeting held on February 10, 2020:

	Amount allocated (NTD)
Employee remuneration	71,932,865
Director remuneration	6,255,000

The above director/supervisor remuneration and employee cash remuneration were expensed during the 2019 financial year. There is no significant difference between the actual amount of employees' remuneration and directors' remuneration in the company's 2020 financial report and the amount listed as expenses in the 2019 financial report.

4.1.10 Buyback of Common Stock: None.

4.2 Issuance of Corporate Bond: None.

4.3 Preferred Share: None.

4.4 Issuance of Global Depositary Receipts: None.

4.5 Status of Employee Stock Option Plan: None.

4.6 Status of Employee Restricted Stock: None.

4.7 Status of New Share Issuance in Connection with Merger and Acquisitions: None.

4.8 Financing Plans and Implementation

The cash issue prior to listing was completed on October 4, 2019, and raised a total of NT$1,667,928,000. In accordance with the scheduled progress, it was used to enrich working capital in the fourth quarter of 2019 and the first quarter of 2020, and the implementation was competed.

Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

The Company currently produces and sells contact lenses under its proprietary brand and as an OEM for domestic and overseas customers. The following is an overview of main business activities:

1. CF01011 Medical Materials and Equipment Manufacturing
2. F108031 Wholesale of Drugs, Medical Goods
3. F208031 Retail sale of Medical Equipments
4. CE01030 Photographic and Optical Equipment Manufacturing
5. CE01010 Precision Instruments Manufacturing
6. F113030 Wholesale of Precision Instruments
7. F213040 Retail Sale of Precision Instruments
8. CC01040 Lighting Facilities Manufacturing
9. F113020 Wholesale of Household Appliance
10. F213010 Retail Sale of Household Appliance
11. F401010 International Trade
12. IG01010 Biotechnology Services
13. C802041 Drugs and Medicines Manufacturing
14. F108021 Wholesale of Drugs and Medicines
15. F208021 Retail Sale of Drugs and Medicines
16. JZ99060 Spectacles Shops
17. F110020 Wholesale of Spectacles
18. F210020 Retail Sale of Spectacles
19. F206020 Retail Sale of Articles for Daily Use
20. F106020 Wholesale of Articles for Daily Use
21. F208040 Retail Sale of Cosmetics
22. F108040 Wholesale of Cosmetics
23. F399990 Retail sale of Others
24. F203010 Retail sale of Food and Grocery
25. F102170 Wholesale of Food and Grocery
26. I401010 General Advertising Services
27. F399010 Convenience Stores
28. F301010 Department Stores
29. F301020 Supermarkets
30. I301010 Software Design Services
31. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Current main products and weight

Unit: NT$ thousands

Product \ Year	2019		2020	
	Net operating revenues	Weight (%)	Net operating revenues	Weight (%)
Contact lens	3,355,133	100	3,978,413	100
Total	3,355,133	100	3,978,413	100

Note: Includes other operating revenues related to contact lens

Current products and services

Currently, the Company produces disposable soft contact lenses of different water content and structure.

1. By disposal cycles: daily, (bi-)weekly, monthly, quarterly and yearly.
2. By optical function: myopia, hyperopia, astigmatism, progressive, astigmatism with presbyopia and relax.
3. By lens materials: HEMA-Base and SiHy-Base (high oxygen permeability).
4. Ry added features: colored lenses with cosmetic effect, lenses with vitamin B12, tear-stimulating lens and blue light-blocking lenses, etc.
5. By moisturization method: hyaluronic acid-based and biocompatible membrane moisturization systems.

The Company also provides contact lens-related services such as product design and distribution.

New product development plans

1. Toric cosmetic lens: toric cosmetic lenses featuring anti-colorless technology were introduced to complement the existing lineup of toric lenses, giving customers more options to choose from.
2. Progressive multifocal cosmetic lens: by applying progressive multifocal sandwich technology, even users that require intensive correction or multifocal features may have cosmetic lenses to choose from.
3. New generation blue light blocking lens: designed with a special formula, the product uses color compensation technology to achieve higher level of protection while at the same time correct problems with visual compensation that are common among ordinary blue light blocking products.
4. Daily disposable cosmetic silicone hydrogel-based lens: the Company offers silicone hydrogel-based cosmetic lenses with sandwiched protection layer to distinguish itself from other silicone hydrogel products available in the market, which are primarily in blue color and to tap into future demands of the cosmetic lens market.

5.1.2 Industry overview

Current and future industry prospects

1. Silicone hydrogel: the first generation of silicone hydrogel-based products gained popularity in the 1990s due to their high oxygen permeability; the second generation silicone hydrogel was introduced in the 2000s, using polymerization technology to improve comfort and achieve even distribution of the tear film; the third generation silicone hydrogel developed in the 2010s uses chemical modification technology to increase moisturizing on the lens surface for wearers' comfort, and is currently the market's mainstream. The Company not only has new products based on the 3rd generation technology scheduled for launch in the near future, but also plans to complete development of 4th generation silicone hydrogel formula in 2021 to meet the market's demand for prolonged moisturizing and improved production efficiency.
2. Optics design: Contact lens was originally designed to correct vision problems such as: myopia, hyperopia, astigmatism and presbyopia, but as optical technologies mature, increasing popularity of high-end optical designs and products since 2015 has opened up new market possibilities. From toric, progressive multifocal to myopia control lenses, these advanced designs have successfully expanded the age range of contact lens users and attracted consumers that contact lenses have failed to appeal in the past due to premature technology. Since its establishment, the Company has been focusing on the research and development of high-order optical products, and has successively launched high-order optical products in the market. In the future, the Company will also introduce high-order optical technology into silicon water gel lenses.
3. Evolution of lens color: Contact lenses were initially designed to be clear in color and were later colored in blue to allow easy pickup from the solution. Cosmetic lenses were developed fairly recently to meet consumers' demand for cosmetics, and have progressively emerged to become an essential fashion accessory. Production of cosmetic lenses now focuses on the technology to print more complex patterns and colors, and given the complexity and fast-changing nature of fashion elements, AI-assisted design will be critical to the Company's ability to react to market changes. The Company has developed a proprietary AI-assisted design system to bring new design elements into cosmetic lenses; additional resources will be invested to expand this technology and meet the market's strong demand for cosmetic lenses.
4. Usage cycle: Contact lenses are designed to last for different cycles, from daily, weekly, fortnightly, monthly, quarterly, semi-annually to periods more than one year.

In the future contact lens market, functional lenses other than those for vision correction will gradually grow, such as anti-blue light lenses for people who have been using computer screens for a long time, vitamin lenses with vitamins added, moisturizing lenses with high moisturizing hyaluronic acid, progressive multifocal lenses for middle-aged and elderly people, and anti-dry lenses for dry eye users. In addition, the myopia control lens technology from myopia correction to prevention degree increase is also gradually maturing

According to Contact Lens Spectrum, value of the contact lens market was estimated at US$9 billion worldwide in 2019. Due to impacts of COVID-19, global demand for soft lenses in 2020 was estimated to be 8%-10% lower compared to 2019 and amounted to slightly above US$8 billion. This was also the first time since 2008 that the world's contact lens market failed to maintain the 4%-6% classic growth rate. The pandemic also caused online purchase of contact lenses to increase by approximately 25% compared to the previous years.

In terms of market share, high-end products such as toric (23%) and progressive multifocal (12%) lenses made up a combined share of 35%, whereas spherical soft lens lenses accounted for 52%, hard lenses accounted for 4%, and scleral lenses accounted for 4%.

Association between upstream, midstream, and downstream industry participants

Raw material suppliers represent the upstream of the contact lens industry. High polymers such as HEMA and silicone hydrogel are the main chemicals used in the production of contact lens. As silicone hydrogel surface modification technology matures and uses of multifunctional hydrophilic variants increase, the percentages of raw materials supplied changed as well. Polypropylene, a material used for making plastic molds, is also one of the key materials.

The middle stream of the industry is the contact lens manufacturer, and the key technologies include optical design technology (for developing aspherical lenses, astigmatism lenses, progressive multifocal lenses and myopia control lenses), material research and development technology (for example, mixing various raw materials such as etafilcon, polymacon and omafilcon), material integration technology (such as combining high-moisture biomedical material MPC and hyaluronic acid HA), and technology of automatic production and inspection system development. The above technologies have matured progressively over the last 10 years and become an important part of flexible manufacturing. As for the next 10 years, the incorporation of artificial intelligence into design, manufacturing, and management will be critical for creating differentiation in terms of product, quality and cost. Furthermore, manufacturers' ability to develop proprietary materials will also be key to competitiveness. Considering the fact that HEMA has been in use since the 1960s, it is crucial for manufacturers to overcome patent restrictions and explore new materials that better satisfy the market's demand

The downstream comprises distributors, which can be further distinguished between physical retailers that interact directly with consumers, including optometrists, ophthalmologists, spectacle stores, pharmacy stores and supermarkets, and online merchants including web stores, online pharmacies and manufacturers' websites. Due to the fact that contact lens is classified as a medical instrument, online sales may be more difficult in certain countries under prevailing laws. Nevertheless, online retail is inarguably the future and there is without a doubt that consumers will find it more convenient to purchase contact lenses through virtual channels than they do today, which helps promote growth of the contact lens market as a whole. In the meantime, physical stores are changing the ways they operate and are transitioning from pure retailer to a model that emphasizes more on customer service.

Product development trends

1. Contact lens material: According to Contact Lens Spectrum, 70% of contact lenses sold in 2019 were silicone hydrogel-based, whereas another 19% were hydrogel-based and 9% were GP-based. Silicone hydrogel has accounted for a high percentage of the market mainly due to preference of the U.S. market. This preference has much to do with how products are used in different markets; Asia, for example, still exhibits strong growth in cosmetic lenses and is unlikely to follow the footsteps of the American market. Although silicone hydrogel-based lenses offer higher oxygen permeability and better perceived health benefits, their high prices prevent them from growing at the rate of their hydrogel counterparts in emerging markets. Furthermore, silicone hydrogel-based products have to overcome challenges associated with comfort, so that they can fit the shape of human eye like hydrogel-based products. This has been a common challenge from the first to the third generation.
2. Cycle: According to data published by Contact Lens Spectrum for 2019, 43% of contact lenses sold in the U.S. were daily disposable, whereas the survey by GfK RETAIL AND TECHNOLOGY concluded the percentage at 49%. Daily disposable contact lenses are believed to be growing at a marginal rate. Meanwhile, demand for weekly (bi-weekly) disposable lens has weakened, and monthly disposable lens still maintained a 37% share. Monthly and daily disposable products will make up the majority of the market's future demand.
3. Special purpose contact lens: Special purpose contact lenses have the potential to reach new consumers outside myopia and hyperopia correction, and present a new breakthrough as far as human vision is concerned. The Company has continued investing into research and has developed unique features in some critical products.
   - Blue light-blocking lens: Increasing popularity of electronic devices has driven up demand for blue light-blocking solutions. By adding special dyes, contact lenses can be made to block 15~25% blue lights, a performance equal to or even surpasses blue light filter glasses. For people who are not accustomed to wearing spectacles, this new product presents an ideal alternative. Furthermore, the blue light-blocking contact lens the Company developed also blocks UV ray for double protection.
   - Toric lens: Given that the population with astigmatism represents 15% ~ 20% of the population with myopia in Asia, a large percentage of consumers had distanced themselves from cosmetic contact lenses due to their need for vision correction. Having obtained product certification in various countries in 2018, the Company expects to launch toric cosmetic lenses to

meet the market's demand.

- Presbyopia lenses: According to a report by U.S. Center for Disease Control, presbyopia is prevalent among the 40~45 age group. It is a condition where the lens inside the eyeball loses its flexibility with age, so that when a patient tries to see something close, the lens could not flex enough to make a curve that focuses light onto the retina, which causes blurry image up close. Through collaboration with our client, the Company was able to once again break through the limitations of existing optics design and develop multifocal lenses that enable users to see objects near and far at the same time. This product has been launched in the United State and is seeing growing sales. The Asian market has strong demand for cosmetic lenses, but in senior age groups where presbyopia is prevalent, consumers tend to require vision correction and become unable to use cosmetic lenses. The Company hopes to address this unfilled demand with the launch of sandwiched cosmetic progressive multifocal lenses.
- Vitamin-based solution: The maintenance solution used for daily disposable contact lenses is usually normal saline. In addition to the moisturizing ingredients developed by the Company to increase the comfort of wearing, we add vitamin E, B6 and B12 to maintain the eyeballs, and this product is a better choice for consumers who attach great importance to health. This product has attracted the attention of large manufacturers not only because of vitamin infusion, but also for the appealing pink color.
- Sandwiched colored lens: At present, this product has gradually become the standard requirement of color make-up lenses by channels of famous brands in the market. Besides the pursuit of beauty, being safe and burden free are equally important. In addition to expanding capacity of the sandwiching technology, the Company will also attempt to apply this technology on other high-end products, and give high-end users more beauty selections to choose from.

Market competition

1. Materials: Hydrogel is already popular and demand for which is near saturation in major regions around the world such as North America, Europe, Japan, Taiwan and Korea. Use of hydrogel in cosmetic contact lenses has been widely popular in Asian markets; in Japan and Taiwan, plano cosmetic contact lenses accounted for 15~20% of all cosmetic contact lenses sold, meaning that the young population uses cosmetic contact lenses as part of their overall makeup even when they do not require vision correction. In developing countries or regions where contact lenses are less popular, such as China and Southeast Asia, hydrogel-based products still enjoy strong demand growth due to price advantage. As for regions where demand is near saturation, as mentioned above, growth will be shifting towards silicone hydrogel, which offers up to 7 or 8 times the oxygen permeability and makes a great difference when worn over an extended period of time. However, due to the use of silicon for oxygen transfer, silicone hydrogel is a more rigid material compared to traditional hydrogel, which makes comfort and production cost the two most challenging problems to overcome as well as the two key factors to success.
2. Cycles: Wearing cycle of soft contact lenses continues to shorten, making daily disposables the market mainstream. Demands for long-term wear lenses (such as yearly, semi-annually and quarterly disposables) are falling as consumers tend to avert the hassle and worry of daily cleaning and are shifting towards products of shorter cycles due to the drop in price of daily disposables. However, monthly and bi-weekly disposables still account for a consistent percentage in weaker economies or markets where silicone hydrogel-based products are priced relatively higher. Meanwhile, monthly disposables still out-sold bi-weekly disposables. This is due to the fact that consumers tend to lose track of how long they have worn their lenses, and have switched to one lens a day/month for easy tracking. As a result, it is important for manufacturers to focus on making daily or monthly disposables of high performance-to-price ratio.
3. Optics design: As contact lenses become popular, they evolve to encompass new functions in addition to myopia or hyperopia correction. According to the Contact Lens Spectrum, toric lenses have accounted for one-quarter of total revenues from contact lens sales. Meanwhile, contact lenses designed specifically for people with presbyopia are gradually being noticed and accepted by consumers due to extensive promotional efforts from the 4 major brands. Functional contact lenses take time to adapt and often do not result in instant improvement of vision compared to lenses that are designed to correct a single condition. Consumers who wear functional contact lenses for the first time tend to be disappointed by the marginal improvement, which discourages them from further use. To address this shortcoming, manufacturers are exploring ways to simplify optics design. Universal ADD, a solution jointly developed between the Company and its U.S. partner, for example, smoothens the transition between near, medium and far objects. This new innovation is being rewarded with growing sales in the United States. Early adopters of contact lens have aged to the point where presbyopia is prevalent, and considering that they have already adapted to contact lenses, the Company expects growing demand for presbyopia contact lenses in the future. The challenge now lies in manufacturers' ability to improve optics design and production procedures using advanced optical technology while bringing additional features at affordable prices.

The Company has been investing in the research and certification of myopia control lenses since 2019 to pave way for high-end products in the future. As contact lens materials and optics designs mature, manufacturers will have to develop products at greater level of sophistication in order to compete with the rest of the world. Increased automation, flexibility and quality control will undoubtedly be the main goals and challenges, and acquiring certification for the products offered will be essential to supporting brand partners in new markets.

5.1.3 Technological research and development

Annual R&D expenses

Unit: NT$ thousands; %

Year	R&D expense (A)	Net revenues (B)	(A)/(B)(%)
2020	374,460	3,978,413	9.41

Technologies or products successfully developed in 2020

1. Production technology development: the 3rd generation smart packaging system, the 5th generation highly automated dry lens production system, the 3rd generation AI-based testing system, new automated packaging system and a smart management system.
2. Product development
   - High moisturizing/lubrication/oxygen permeability silicone hydrogel-based monthly disposable lenses: the Company's silicone hydrogel-based lenses are made by applying Pegavision's proprietary multi-layer, high moisturizing/lubrication biotech materials to the surface. This added layer of technology not only meets consumers' needs, but also helps distinguish itself from ordinary silicone hydrogel-based lenses in the market.
   - Proprietary relax lenses: featuring a special optical design, the product not only corrects wearers' eye sight from day to night, but also helps relieve eye strain associated with physiological changes throughout the day.
   - New-generation toric lens: a contact lens is a high-end optics and the Company has the ability to design toric lenses using both ordinary hydrogel and silicone hydrogel and thereby satisfy the needs of customers of different channels and markets. These designs are part of Pegavision's proprietary optics technologies and is an area where the Company has made breakthrough accomplishments in terms of vision correction and comfort.
   - Progressive multifocal presbyopia contact lens: demands from mid-age and senior consumers are starting to surface, and multifocal lenses are being introduced to address the needs of this age group. The Company has completed development of two mainstream multifocal products, center distance and center near, to satisfy the needs of mid-age and senior consumers.
   - Hioxifilcon lens: A copolymer of HEMA and GMMA. This type of lenses is characterized by high level of moisturizing and lubrication.

5.1.4 Long and short-term business plans

Short-term business plans

1. Own Brand

Outbreak of COVID-19 had severely impaired the tourism business in 2020. The drastic reduction in incoming visitors also had direct and indirect impact on the consumption of necessities. Products of the proprietary brand are sold in Taiwan mainly through direct branches with the support of the membership system. Although the Company sustained relatively low impact compared to its peers, the pandemic still affected the launching of new products and undermined the Company's channel expansion and sales campaign efforts to some degree. When the pandemic subsided in the 4th quarter, the Company focused its efforts on promoting vitamin-infused contact lenses and engaged popular singer Yoga Lin as product endorser. Meanwhile, advertisements were placed through major media to build up brand strength.

In 2021, the Company will adjust its operating strategies and redirect focus towards expanding distribution, introducing new products and enhancing sales efforts in Taiwan. In terms of distribution channel, the Company will be engaging LOHAS, a spectacles chain, in a strategic alliance to open up a dozen in-shops within LOHAS' direct branches. For open-shelf channels, Pegavision will be distributing its products through POYA, which plans to have more than 200 stores nationwide and bring new product lines to existing channels including Watsons and COSMED to keep attracting consumers; in the meantime, the Company will also begin selling some of its products through 7-ELEVEN. As for direct branches, Pegavision will focus on marketing the Rainbow 6-in-1 Limited Bundle as a way to support gender equality and associate the brand with different values to attract attention of the young generation.

In China, Pegavision plans to cooperate with New York Metropolitan Museum of Art for the introduction of new Artist series over Pegavision's flagship store on Tmall in 2021. From impressionist artworks by Dutch artist Van Gogh to stained glass by American artist Louis Comfort Tiffany, Pegavision will continue associating with world's renowned brands to promote its image and attract attention of consumers in China. As for the management of MCmore, Pegavision plans to attract more fans through frequent updates of online content and interaction over Wechat, China's largest social network platform, thereby develop attachment with Wechat users while tapping into the potentials of social network activities of young consumers in China. With respect to other e-commerce channels in China, Pegavision will emphasize promoting its own brand with a refined range of product offerings and managing fan club using platforms such as JD.COM, VIP Shop, Kaola and Pinduoduo in synchronization with the overall marketing strategy, so that the brand may extend its reach to audience and users outside Tmall.

2. OEM service

- Japan
  Due to the effect of COVID-19, sale of products through street-side stores in Japan had declined slightly while online sales increased, contributing to the revenue growth of the company that specialized in the distribution of cosmetics. From online to offline, the Company has secured its place in the supply chain of the industry's leading brand, which helps attract OEM orders from other cosmetic brands to Pegavision. In 2021, the Company will focus on expanding OEM projects and product offerings of existing customers to include items such as toric and cosmetic toric lenses.

- Europe
  A full lineup of monthly disposable silicone hydrogel-based products covering myopia, hyperopia, astigmatism and presbyopia will be launched in Europe to bring one-stop service to a larger number of consumers. A full lineup of products with identical optical design will also be launched in daily disposable hydrogel variants to satisfy the market's increasing demand for daily disposals.

- USA
  The COVID-19 pandemic and approval of temporary online prescriptions increased the percentage of products sold through e-commerce. Some online spectacle brands have become interested in the idea of introducing their own brand of contact lenses and are approaching the Company for possibilities to bring more selections to the benefit of U.S. consumers. Currently, the Company has obtained permit to launch daily disposable hydrogel-based clear lens and cosmetic toric and multifocal products.

- China
  E-commerce now accounts for more than 60% of the retail market; cosmetic lenses remain the most popular product category and continues to grow. China has relatively low barrier of entry for cosmetic lenses; Chinese consumers are presented with a broad variety to choose from and competition between brands is very intense. The Company was able to earn end users' approval on product quality and upon receiving users' feedback, brand owners took the initiative to approach the Company for further collaborations. Pegavision is currently collaborating with top-selling brands on the e-commerce platform and is in contact with other brands for possible business opportunities. Cosmetic lenses will remain as the Company's mainstream product in the Mainland, whereas silicone hydrogel and high-end optics will be launched as soon as licenses are obtained.

Long-term business plans

1. Own Brand

In terms of product strategy, the Company will focus on introducing products with more advanced features and quality, including more advanced toric lenses, progressive multifocal cosmetic lenses and innovative lens solutions, in addition to the progressive multifocal clear daily disposables currently available. Meanwhile, as sales location and channels expand, the Company will consolidate, eliminate, and renew product lines across different locations and channels and thereby ensure performance and efficiency of each product line.

The Company will continue expanding sales channels local and abroad and invest into the advertising of popular products to increase brand awareness on a global scale.

2. OEM service

For OEM service, the Company will aim to develop full product capabilities. The Company has already invested extensively into new product development in an attempt to provide customers with the ultimate one-stop shopping service. Even with the addition of fashion elements, contact lenses are medical instruments by nature, and the key to business growth is ensuring: (a) Product quality, including lens design, pattern design and print quality; (b) Factory compliance, such as compliance with contact lens production standards of various nations and establishment of a comprehensive quality system; (c) Product scope, including research of silicone hydrogel material, optics design and matching of iris enhancement patterns to optics design; and (d) Professional service, such as offering of industry information and product recommendation, undertaking customers' product package design and distributing customers' products in Taiwan and Mainland China. By providing professional and diverse services, we strengthen our relationship with customers and build up trust in each other.

Furthermore, being able to engage technology-oriented customers in new product development not only is a recognition for the Company's world-class development capacity and production quality, but also opens up Pegavision to new technical know-how and knowledge, as well as immense business opportunities that can benefit the Company's growth in the long run.

5.2 Market, Production and Sales Overview

5.2.1 Market analysis

Locations where products are mainly sold

Unit: NT$ thousands; %

Sales destination \ Year	2019		2020	
	Amount	Amount	Amount	Percentage (%)
Domestic sale	771,905	771,905	662,660	16.66
Export sale	2,583,228	2,583,228	3,315,753	83.34
Total	3,355,133	3,355,133	3,978,413	100.00

Market share

According to the study published by Cooper Companies, the global total revenues generated by soft contact lens manufacturers worldwide were estimated at US$8.2 billion in 2020, and the Company generated NT$3.98 billion in revenues during the year, representing a 1.6% market share. Driven by sustained strong growth of both branded and OEM products, the Company foresees further increase of market share in the future.

Future market supply, demand and growth

Although the market was hit by the spread of COVID-19 in 2020, increase in population with myopia remained strong. Approximately 2.6 billion people or 34% of population in the world have developed myopia, and as people spend more time with electronic devices, 4.7 billion people or 50% of world's population are expected to have myopia in 2050. Given the increasing popularity of high-end optics and functional products, the market is expected to continue its growth in the future.

Competitive advantage

1. Strong focus on core business activities and availability of a proprietary R&D team that specializes in automated production technology, material development and optics design.

   The Company has always valued the importance of a strong R&D team since inception. Pegavision's R&D team is dedicated to the development of new production technologies, raw materials, automated production machinery and optical technologies and its efforts have helped secure patents and product certifications in many countries around the world. Pegavision's management team possesses strong expertise in the main business and has extensive experience on environmental changes, product trends, production, marketing and R&D to help the Company develop competitiveness. Owing to employees' contribution, the Company has progressively developed the influence to lead market trends. As overseas shipment of high-end optics commences, we are confident at bringing more competitive offerings to our customers as a higher value alternative. Meanwhile, the diverse range of services offered by Pegavision help build long-term, sustainable partnership with brand owners

2. Success of proprietary brand brings new customers

   The Company has accumulated more than 800,000 members since it established its first direct branch in Taiwan in 2011, and managed to achieve record-high sales year after year following its entry into the Mainland market. As a result, some customers grew confident towards the Company's ability to make, design and develop quality products and operate an efficient distribution network, so much so that they looked forward to working with the Company on OEM and ODM+OEM arrangements. At Pegavision, growth of the proprietary brand works in complement with OEM service.

3. Unique production procedures that raised overall customer service capacity

   The Company has the ability to develop its own automated production equipment, and combined with the implementation of an ERP and production system, it dynamically manages tens of millions of production requests each month, allocating and controlling production resources in the most efficient way possible while ensuring timely and accurate delivery of small-volume, high-variety orders, which shortens clients' waiting period by more than half when compared to other competitors. Having been certified for world-approved quality management system for medical devices (ISO 13485) ensures that all medical instruments and services offered are in conformity with clients' and legal requirements. This quality management system is applicable to the design, research, development, production, installation, sale and servicing of medical instruments.

4. Production automation and cost advantages from economy of scale

   Daily disposable contact lens is currently the mainstream and the high level of standardization makes it ideal for mass production. The Company's production line is highly automated and can be configured to produce in large scale and generate sizable yields as production volume increases. This advantage is difficult to replicate.

5. Rigorous certification

   Contact lens is classified as a medical instrument, and due to its direct contact with the eyeball, health authorities around the world have imposed rigorous reviews on the production and sale of contact lenses for safety reasons. There are two types of certification: system certification and product certification. System certifications such as ISO 13485, GMP and QMS (Japan) are awarded for the quality of the overall production procedure, and are generally broad standards. Product certification, on the other hand, involves reviews on the specification, safety and effectiveness of product sold, which requires supporting data on physical/chemical characteristics, GLP report on biocompatibility and clinical evaluation etc. to prove that a product is able to meet safety and functional requirements of the authority. A product can be sold on the market only after it has passed review and obtained permit, and the rigorous process tends to take longer time to complete. Regulations have tightened in recent years, with Japan, China and the EU all imposing new regulatory requirements. In addition to system certifications such as ISO 13485, ISO 14001, ISO 45001, GMP (Taiwan) and QMS (Japan), many of the Company's products have also been awarded product certifications by CE (European Union), FDA (USA), NMPA (China), TFDA (Taiwan), PMDA (Japan), MFDS (Korea) and ASEAN countries. Furthermore, Pegavision is one of few manufacturers that passes the overseas audit of Korea, Japan and USA at the same time, which serves as a testament to the Company's rigorous production process and exceptional quality, and helps expand the Company's domestic and export sales markets.

Future opportunities, threats, and response strategies

1. Opportunities

   - Production automation and automated optical testing system
     The Company has designed its own fully automated optical testing system that greatly improves production efficiency and product quality. The Company is able to eliminate human involvement from mold injection to the completion of dry lens, while at the same time keeping quality consistent.
   - Professional talents in materials, optics, equipment and product design
     More than 200 of the Company's employees are R&D personnel. Pegavision's management team has extensive operational experience in the field of contact lenses. The Company has a comprehensive training system in place to develop the professional talents needed to support proprietary development of equipment and materials, proprietary optics design and offer product design as a service to customers.
   - A closed industry with high barrier of entry
     Contact lens is classified as a medical instrument and is therefore governed by medical instrument regulations. The long product development cycle, differences in regulation, difficulty involved with certification, the technology-intensive nature of the business, the complexity of lens design (involving ophthalmology, optometry and physical optics) and synthesis of high polymer lens materials all make contact lens an oligopoly with high barrier of entry. Furthermore, contact lenses are characterized by long product life cycle. The Company has been able to develop technical capacity and improve competitiveness through OEM, ODM, research, development and operation of a proprietary brand.

2. Threats

   - Markets are dominated by few international manufacturers
     The market's top 4 contact lens brands control most of the market share, and their strong brand image presents significant competitive barrier anywhere in the world. Together, they leave very little room for other brands to survive or for newcomers to thrive.
     <u>Response strategies:</u>
     The market's top 4 contact lens companies operate with such a large scale and profound reputation that makes them less flexible to change, and in some regions, their extensive history may even pose a burden on distribution. The Company specializes in flexible production and prides its ability to adopt different business models for different markets. For example: Pegavision was the first company to open stores exclusively for selling contact lenses and launch limited editions of contact lenses in Taiwan; whereas in Mainland China, Pegavision became the first company to set up a flagship store for contact lenses on the popular e-commerce platform - Tmall. Flexible business models and pricing strategies not only helped the Company build up relationship with customers, they also allow the responsive and quick decision-making needed to grow the

international market and appeal to clients worldwide.
Japan represents the world's second largest contact lens market. Despite having strong demand for daily disposables, the market is very highly regulated compared to others. Apart from the top 4 players and Japan's local manufacturers/sellers, only a handful of overseas manufacturers including Pegavision own the certification of the products. Other overseas manufacturers will have to engage a local manufacturer/seller in Japan in order to provide OEM service for a brand in Japan. Furthermore, the Company works with Japanese customers to develop new products that would help gain an early market advantage and secure business partnership.

- New product development takes time; laws and certification vary from country to country and often pose high barrier of entry
  Contact lens is classified as a medical instrument and is therefore governed by medical instrument regulations. The long product development cycle, differences in regulation and the difficulty and high costs associated with certification all present barriers of entry into the contact lens market.
  Response strategies:
  The Company has a dedicated legal team in place to handle the different licensing requirements and regulations between countries. The team has proven capable of obtaining certifications in many countries around the world, thereby allowing the Company to build a complete product lineup for the ultimate one-stop shopping experience.

5.2.2 Main product applications and production processes

Main product applications

Contact lens is the Company's primary product. Its main purposes are to correct vision defects such as myopia, hyperopia, astigmatism and presbyopia.

Production process

Production process is summarized below and may vary for different product categories

1. Injection of top and bottom caps ⇨ 2. Transfer printing (for colored lens) ⇨ 3. Gel Injection ⇨
4. Solidification ⇨ 5. De-capping ⇨ 6. Hydration ⇨
7. Sealing ⇨ 8. Sterilization ⇨ 9. Packaging

5.2.3 Supply of key materials

Key materials used in products include HEMA, PP, aluminum foil and packaging materials. The Company maintains good relationship with all its suppliers and has never experienced any shortage or disruption of supply. Suppliers have been able to make timely deliveries of consistent quality, and the Company expects no shortage of raw material supply in the future.

5.2.4 Major Suppliers and Main Customers

Suppliers Accounting for at Least 10% of Annual Consolidated Net Procurement

Unit: NT$ thousands

2019				2020			
Supplier	Procurement Amount	As % of 2019 Total Net Procurement	Relation to Pegavision	Supplier	Procurement Amount	As % of 2020 Total Net Procurement	Relation to Pegavision
Company A	41,005	15.25	None	Company A	65,246	14.27	None
Company B	35,474	13.20	None	Company D	52,231	11.42	None
Company C	34,532	12.85	None	Company B	38,851	8.50	None
Company D	20,381	7.58	None	Company C	23,851	5.21	None
Others	137,430	51.12	-	Others	277,177	60.60	-
Total Net Procurement	268,822	100.00	-	Total Net Procurement	457,320	100.00	-

A change in product portfolio resulted in a change of raw materials used and inventory level, and caused shifts in the weight of major suppliers.

Customers that Accounted for at Least 10% of Annual Consolidated Net Revenue

Unit: NT$ thousands

Customer	2019			2020		
	Net Revenue	As % of 2019 Total Net Revenue	Relation to Pegavision	Net Revenue	As % of 2020 Total Net Revenue	Relation to Pegavision
Customer A	443,976	13.23	None	435,637	10.95	None
Others	2,911,157	86.77	-	3,542,776	89.05	-
Total Net Revenue	3,355,133	100.00	-	3,978,413	100.00	-

The Company is currently in its growth stage, and revenue weight of its main buyers may shift as new regions, markets and customers are acquired.

5.2.5 Production in 2020 and 2019

Unit: Capacity/Output (thousand boxes / Amount (NT$ thousands)

Contact Lenses			
Year	Capacity	Output	Amount
2020	33,676	30,215	1,985,498
2019	21,629	17,562	1,679,790

5.2.6 Shipments and Net Revenue in 2020 and 2019

Unit: thousand boxes / NT$ thousands

	Domestic		Export	
Year	**Shipment**	**Net Revenue**	**Shipment**	**Net Revenue**
2020	3,529	662,660	46,078	3,315,753
2019	3,587	711,905	19,629	2,583,228

Note: Includes other operating revenues related to contact lens.

5.3 Human Capital

5.3.1 Workforce Structure

		12/31/2019	12/31/2020	03/27/2021
Employee Number	General	1,178	1,425	1,570
	R&D	203	211	219
	Total	1,381	1,636	1,789
Education	Ph.D.	0.87%	0.43%	0.39%
	Master's	8.54%	9.41%	8.89%
	Bachelor's	64.16%	56.60%	52.54%
	High School	24.11%	30.56%	33.31%
	Below High School	2.32%	3.00%	4.86%
Average Years of Age		30.80	32	31.8
Average Years of Service		2.40	3.13	3.00

5.3.2 Employee Relations

Employee welfare measures and implementation in 2020

1. Employee benefits provided by the Company and its Employee Welfare Committee include group comprehensive insurance, regular health check-up, employee meal allowance, departmental dinner allowance, year-end activities, birthday and festival gift, year-end bonus, performance bonus, profit-sharing bonus, employee purchase discount, employee travel or family day, and wedding and funeral subsidies, etc.

Item	Content	Amount in 2020 (NT$ thousand)
Employee travel	Considering the employees' hard work, each employee can get together with their beloved relatives and friends to arrange their own unique travel itinerary.	2,653
Festival and birthday gift money	PayEasy shopping money is distributed on Labor Day, Dragon Boat Festival, Mid-Autumn Festival and employee birthdays.	5,320
Wedding and funeral subsidies	Employees are provided with marriage, birth, hospitalization and funeral (including parents/grandparents)subsidies.	310
Year-end activities	In light of the severe situation of COVID-19 and to ensure the health and safety of all staff, the company thanked them in another form for their efforts in the past year. We held a special lucky draw, and each employee was offered two high-grade Teppanyaki meal coupons.	13,487

2. Employee training and education: In order to enhance the competitiveness of the Company and strengthen the training structure and system, the company introduced the Talent Quality Management System (TTQS) into the Company and won a silver medal award from the Labor Development Department of the Ministry of Labor in 2020. The Company has training programs in place to help employees develop professional knowledge and skills, which in turn maximizes work capacity, efficiency and quality to support the Company's growth and sustainability goals. The Company offered a broad diversity of training programs, including orientation, on-job training, employee safety and health training, specialist courses and external courses that are relevant to employees' duties in 2020. Together, the Company provided complete means for employees to develop the professional capacity and competitiveness needed to succeed in their roles. In addition to the above, the Company also emphasizes on exploring employees' potentials and balanced characters, and arranged a series of courses in 2020 targeted at building "soft power" and fundamental characters that may eventually contribute to professional skills. In 2020, the total number of employee training hours was 36,155, the total number of trainees was 1,636, and the number of average training hours per person was 22.1.
3. Retirement system and implementation: The Company complies with "Labor Pension Act" (i.e. the New Scheme) and makes monthly contributions equal to 6% of employees' salary into their dedicated pension accounts held with Bureau of Labor Insurance. Employees also have the option to make voluntary pension contributions up to 6% of monthly salary, which are fully deductible when filing Individual Income Tax Return. The Company has an employee who retains the seniority under the “Labor Standards Act (the old retirement system)”, and the Company keeps allocating the labor retirement reserve of 2% to the special account of the old retirement reserve at the Trust Department of the Bank of Taiwan on a monthly basis.
4. Labor-management coordination and protection of employees' interests: All employee rights and interests of the Company are specified in the Company’s management measures, and relevant content is regularly reviewed to safeguard the rights and interests of all employees. In addition, in order to promote the harmony between labor and management, in addition to holding labor-management meetings in accordance with the law, the Company has set up the Occupational Safety and Health Committee and the Promotion Review Committee, and established multiple communication channels including employee opinion mailbox, through which employees can appeal when they are treated unfairly or dissatisfied with the leadership style of supervisors.

Meeting Name	Chairman	Number of meetings in 2020
Labor-management meeting	Head of Management Division	4 times
Occupational Safety and Health Committee	President	4 times
Promotion Review Committee	President	Twice

Employees' safety, protection measures in work environment and implementation

The Company has developed an occupational safety and health management system based on international standards such as ISO 45001 and ISO 14001. It performs occupational safety and health planning, hazard identification, risk assessment, tier management, accident investigation and auditing on a regular basis, and has robust incident reporting and response procedures in place to address accidents and emergencies, and thereby prevent impacts on the environment and ensures employees' safety. In 2020, in addition to the implementation of an emergency response exercise and monitoring of the working environment every six months, the Company held the occupational safety training course (including training new employees) for 117 times, with a total number of trainings of 1,851. In addition, a total of 4 Occupational Safety and Health Committee meetings were held this year to review the implementation of occupational safety and health and the environmental management system to ensure the protection of personal safety and the working environment of employees.

Losses arise as a result of employment disputes in 2020 and up until the publication date of annual report (including violations against Labor Standards Act found during labor inspection):

The Company had no losses due to labor disputes in 2020 and as of the printing date of the current year, except for the monthly bonus not having been included in the working hours of the following wage calculation basis due to issues with the recognition of laws and regulations, and the Company was fined for NT$20,000 respectively on October 26, 2020, by the competent authority: (1) working hour extension on regular days, which is in violation of Paragraph 1, Article 24 of the Labor Standards Act (sanction No.: Fu-Lao-Jian-Zi No. 1090259299); (2) working hour extension on rest days, which is in violation of Paragraph 2, Article 24 of the Labor Standards Act (sanction No.: Fu-Lao-Jian-Zi No. 10902592991); working on national holidays, which is in violation of Article 39 of the Labor Standards Act (sanction No.: Fu-Lao-Jian-Zi No. 10902592992.) The Company has re-planned bonus incentive measures to avoid similar events in the future.

5.4 Contribution to Environmental Protection

For the most recent fiscal year and up to the date of publication of the annual report, the losses caused by environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations), and the estimated amount that may occur at present and in the future and countermeasures: None.

5.5 Material Contracts

As of March 27, 2021

Nature of contract	Parties involved	Contract start/end date	Main Content	Restrictive clauses
Lease Agreement (expired)	Pegatron Corporation	2015/09/01 ~ 2020/08/31	Plant leasing	None
Lease Agreement	Pegatron Corporation	2020/09/01 ~ 2021/08/31	Plant leasing	None
Construction contract	Lih Hwa Construction Company Limited	2019/08/28 ~ inspection upon completion	Daxi Plant construction	None
Purchase agreement (expired)	Lih Hwa Construction Company Limited	2019/08/28 ~ 2020/08/27	Materials for Daxi Plant construction	None
Long-term borrowing contract	Chang Hwa Commercial Bank Beitou Branch	2020/03/25 ~ 2025/03/15	Long-term borrowing	To perform in accordance with Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan
Long-term borrowing contract	Shanghai Commercial and Savings Bank Zhongli Branch	2020/11/10 ~ 2030/10/15	Long-term borrowing	To perform in accordance with Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan

Financial Highlights and Analysis

6.1 Condensed Balance Sheet and Statement of Comprehensive Income

6.1.1 Condensed Balance Sheet from 2016 to 2020 (Audited)

Consolidated Balance Sheet

Unit: NT$ thousands

Item \ Year	2016	2017	2018	2019	2020 (Note)
Current Assets	1,125,314	1,227,355	1,560,422	1,987,183	2,890,778
Property, Plant and Equipment	769,010	1,473,095	2,059,794	3,029,925	3,090,551
Intangible Assets	2,254	632	2,306	4,536	6,296
Other Assets	30,839	208,406	524,882	288,061	428,406
Total Assets	1,927,417	2,909,488	4,147,404	5,309,705	6,416,031
Current Liabilities					
Before Distribution	586,053	1,394,621	1,645,351	1,188,472	1,716,966
After Distribution	646,053	1,394,621	1,735,351	1,363,472	2,066,966
Noncurrent Liabilities	115,913	47,435	494,211	67,528	103,350
Total Liabilities					
Before Distribution	701,966	1,442,056	2,139,562	1,256,000	1,820,316
After Distribution	761,966	1,442,056	2,229,562	1,431,000	2,170,316
Equity Attributable to Shareholders of the Parent	1,225,451	1,467,432	2,007,842	4,053,705	4,595,715
Capital Stock	600,000	600,000	600,000	700,000	700,000
Capital Surplus	240,000	240,000	240,000	1,804,928	1,804,928
Retained Earnings					
Before Distribution	389,015	631,923	1,173,079	1,558,571	2,098,930
After Distribution	329,015	631,923	1,083,079	1,383,571	1,748,930
Other Equity Interest	(3,564)	(4,491)	(5,237)	(9,794)	(8,143)
Total Equity					
Before Distribution	1,225,451	1,467,432	2,007,842	4,053,705	4,595,715
After Distribution	1,165,451	1,467,432	1,917,842	3,878,705	4,245,715

Note: Distribution of 2020 cash dividends has yet to be reported in 2021 shareholder meeting.

Unconsolidated Balance Sheet

Unit: NT$ thousands

Item \ Year	2016	2017	2018	2019	2020 (Note)
Current Assets	1,085,487	1,171,016	1,601,205	1,854,618	2,724,032
Investment accounted for using equity method	38,521	52,867	10,200	62,539	54,156
Property, Plant and Equipment	767,832	1,472,233	2,057,132	3,023,144	3,085,192
Intangible Assets	2,254	632	2,306	4,536	6,296
Other Assets	28,750	206,253	522,370	268,442	413,571
Total Assets	1,922,844	2,903,001	4,193,213	5,213,279	6,283,247
Current Liabilities					
Before Distribution	581,480	1,388,133	1,645,260	1,103,208	1,590,698
After Distribution	641,480	1,388,133	1,735,260	1,278,208	1,940,698
Noncurrent Liabilities	115,913	47,436	540,111	56,366	96,834
Total Liabilities					
Before Distribution	697,393	1,435,569	2,185,371	1,159,574	1,687,532
After Distribution	757,393	1,435,569	2,275,371	1,334,574	2,037,532
Equity Attributable to Shareholders of the Parent	1,225,451	1,467,432	2,007,842	4,053,705	4,053,705
Capital Stock	600,000	600,000	600,000	700,000	700,000
Capital Surplus	240,000	240,000	240,000	1,804,928	1,804,928
Retained Earnings					
Before Distribution	389,015	631,923	1,173,079	1,558,571	2,098,930
After Distribution	329,015	631,923	1,083,079	1,383,571	1,748,930
Other Equity Interest	(3,564)	(4,491)	(5,237)	(9,794)	(8,143)
Total Equity					
Before Distribution	1,225,451	1,467,432	2,007,842	4,053,705	4,595,715
After Distribution	1,165,451	1,467,432	1,917,842	3,878,705	4,245,715

Note: Distribution of 2020 cash dividends has yet to be reported in 2021 shareholder meeting.

6.1.2 Condensed Statement of Comprehensive Income from 2016 to 2020 (Audited)

Consolidated Statement of Comprehensive Income

Unit: NT$ thousands

Item \ Year	2016	2017	2018	2019	2020
Net Revenue	1,659,336	2,182,174	3,132,671	3,355,133	3,978,413
Gross Profit	840,167	1,049,593	1,605,355	1,493,030	1,973,888
Income from Operations	236,863	356,764	791,067	592,114	855,688
Non-operating Income and Expenses	(2,029)	9,819	(30,611)	(31,259)	(10,834)
Income before Income Tax	234,834	366,583	760,456	560,855	844,854
Net Income	186,891	302,908	541,156	475,492	715,359
Other Comprehensive Income for the Year, Net of Income Tax	(4,063)	(927)	(746)	(4,557)	1,651
Total Comprehensive Income for the Year	182,828	301,981	540,410	470,935	717,010
Net Income (Loss) Attributable to:					
Shareholders of the Parent	186,891	302,908	541,156	475,492	715,359
Noncontrolling Interests	-	-	-	-	-
Total Comprehensive Income (Loss) Attributable to:					
Shareholders of the Parent	182,828	301,981	540,410	470,935	717,010
Noncontrolling Interests	-	-	-	-	-
Basic/Diluted Earnings Per Share	3.11	5.05	9.02	7.62	10.22

Unconsolidated Statement of Comprehensive Income

Unit: NT$ thousands

Item \ Year	2016	2017	2018	2019	2020
Net Revenue	1,644,396	2,135,520	3,198,837	3,096,188	3,836,666
Gross Profit	819,106	999,068	1,614,067	1,291,735	1,850,938
Income from Operations	231,230	340,048	775,910	566,316	807,120
Non-operating Income and Expenses	3,431	24,256	(22,055)	(19,001)	9,411
Income before Income Tax	234,661	364,304	753,855	547,315	816,351
Net Income	186,891	302,908	541,156	475,492	715,359
Other Comprehensive Income for the Year, Net of Income Tax	(4,063)	(927)	(746)	(4,557)	1,651
Total Comprehensive Income for the Year	182,828	301,981	540,410	470,935	717,010
Basic/Diluted Earnings Per Share	3.11	5.05	9.02	7.62	10.22

6.1.3 Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2016	Ernst & Young Taiwan	Mars Hong, Chi-Ming Chang	An Unmodified Opinion
2017	Ernst & Young Taiwan	Mars Hong, Wells Cheng	An Unmodified Opinion
2018	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion
2019	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion
2020	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion

6.2 Financial Analysis

6.2.1 Financial Analysis from 2016 to 2020 (Consolidated)

		2016	2017	2018	2019	2020
Capital Structure Analysis	Debt Ratio (%)	36.42	49.56	51.59	23.65	28.37
	Long-term Fund to Property, Plant and Equipment (%)	174.43	102.84	121.47	136.02	152.05
Liquidity Analysis	Current Ratio (%)	192.02	88.01	94.84	167.20	168.37
	Quick Ratio (%)	136.65	62.60	45.35	118.97	142.54
	Times Interest Earned (Times)	69.56	127.80	77.64	30.04	364.53
Operating Performance Analysis	Accounts Receivable Turnover (Times)	18.42	19.13	20.34	15.05	9.60
	Average Collection Period	19.81	19.07	17.94	24.25	38.02
	Inventory Turnover (Times)	2.64	3.60	2.70	2.76	4.20
	Accounts Payable Turnover (Times)	11.97	12.46	14.44	17.22	15.92
	Average Days in Sales	138.25	101.38	135.18	132.24	86.90
	Property, Plant and Equipment Turnover (Times)	1.94	1.95	1.77	1.32	1.30
	Total Assets Turnover (Times)	0.91	0.90	0.89	0.71	0.68
Profitability Analysis	Return on Total Assets (%)	10.40	12.62	15.57	10.38	12.23
	Return on Stockholders' Equity (%)	16.48	22.50	31.14	15.69	16.54
	Pre-tax Income to Paid-in Capital (%)	39.14	61.10	126.74	80.12	120.69
	Profit Ratio (%)	11.26	13.88	17.27	14.17	17.98
	Earnings Per Share (NT$)	3.11	5.05	9.02	7.62	10.22
Cash Flow	Cash Flow Ratio (%)	25.40	74.97	67.53	65.00	69.55
	Cash Flow Adequacy Ratio (%)	47.79	83.02	72.28	68.86	80.70
	Cash Flow Reinvestment Ratio (%)	7.20	39.73	27.96	11.46	14.75
Leverage	Operating Leverage	2.03	1.75	1.65	2.16	1.71
	Financial Leverage	1.01	1.01	1.01	1.03	1.00

Analysis of deviation of 2020 vs. 2019 over 20%:

1. Times interest earned increased: Mainly due to the decrease of interest expense caused by the repayment of loans in 2020 and the increase of net profit before tax in 2020.
2. Accounts receivable turnover decreased: Mainly due to higher average receivable balance in 2020 compared to 2019.
3. Average collection period increased: Mainly due to lower receivables turnover in 2020 compared to 2019.
4. Inventory turnover increased: Mainly due to the decrease of average net inventory in 2020 compared with that in 2019.
5. Average Days in Sales decreased: Mainly due to the increase in inventory turnover in 2020 compared to 2019.
6. Pre-tax income to paid-in capital increased: Mainly due to higher pre-tax income in 2020 compared to 2019.
7. Profit ratio increased: Mainly due to higher net income in 2020 compared to 2019.

Note 1: Based on audited financial statements in the last 5 years.

Note 2: Receivable and inventory turnover rates are being calculated using net receivables and net inventory instead.

Note 3: No calculation was made if cash flow from operating activities resulted in a net outflow.

* Glossary

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders’ Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
   (1) Accounts Receivable Turnover = Net Sales / Average Trade Receivables
   (2) Average Collection Period = 365 / Accounts Receivable Turnover
   (3) Inventory Turnover = Cost of Goods Sold / Average Inventory
   (4) Accounts Payable Turnover = Cost of Goods Sold / Average Accounts Payable
   (5) Average Days in Sales = 365 / Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity
   (3) Profit Ratio = Net Income / Net Sales
   (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.2.2 Financial Analysis from 2016 to 2020 (Unconsolidated)

		2016	2017	2018	2019	2020
Capital Structure Analysis	Debt Ratio (%)	36.27	49.45	52.12	22.24	26.86
	Long-term Fund to Property, Plant and Equipment (%)	174.69	102.90	123.86	135.95	152.10
Liquidity Analysis	Current Ratio (%)	186.68	84.36	97.32	168.11	171.25
	Quick Ratio (%)	132.85	60.34	53.65	120.82	150.25
	Times Interest Earned (Times)	69.51	127.01	76.98	29.34	352.35
Operating Performance Analysis	Accounts Receivable Turnover (Times)	18.06	15.99	10.77	7.24	6.11
	Average Collection Period	20.21	22.82	33.89	50.41	59.73
	Inventory Turnover (Times)	2.72	3.80	3.13	2.99	4.99
	Accounts Payable Turnover (Times)	12.06	12.51	14.98	16.69	16.01
	Average Days in Sales	134.19	96.05	116.61	122.07	73.14
	Property, Plant and Equipment Turnover (Times)	1.92	1.91	1.81	1.22	1.26
	Total Assets Turnover (Times)	0.90	0.89	0.90	0.66	0.67
Profitability Analysis	Return on Total Assets (%)	10.43	12.65	15.48	10.44	12.48
	Return on Stockholders' Equity (%)	16.48	22.50	31.14	15.69	16.54
	Pre-tax Income to Paid-in Capital (%)	39.11	60.72	125.64	78.19	116.65
	Profit Ratio (%)	11.37	14.18	16.92	15.36	18.65
	Earnings Per Share (NT$)	3.11	5.05	9.02	7.62	10.22
Cash Flow	Cash Flow Ratio (%)	26.47	71.84	66.86	59.29	72.83
	Cash Flow Adequacy Ratio (%)	50.29	83.09	73.43	67.08	78.21
	Cash Flow Reinvestment Ratio (%)	7.45	40.21	27.69	9.47	14.24
Leverage	Operating Leverage	2.07	1.78	1.79	2.12	1.83
	Financial Leverage	1.02	1.01	1.01	1.04	1.00

Analysis of deviation of 2020 vs. 2019 over 20%:

1. Debt ratio increased: Mainly due to the higher increase ratio of total liabilities than that of total assets in 2020.
2. Quick ratio increased: Mainly due to increases in cash, cash equivalents, financial assets at fair value through profit or loss, net accounts receivable and net accounts receivable - related party in 2020.
3. Times interest earned increased: Mainly due to the decrease of interest expense caused by the repayment of loans in 2020 and the increase of net profit before tax in 2020.
4. Inventory turnover increased: Mainly due to higher average inventory in 2020 compared to 2019.
5. Average Days of Sales decreased: Mainly due to the higher pre-tax profit in 2020.
6. Pre-tax income to paid-in capital ratio increased: Mainly due to higher paid-up capital and lower pre-tax profit in 2019.
7. Profit margin increased: Mainly due to the higher increase ratio of income after tax in 2020 than that of net sales.
8. Earning per share increased: Mainly due to the higher net income in 2020 compared to 2019.
9. Cash flow ratio increased: Mainly due to the higher cash provided by operating activities in 2020 compared to 2019.
10. Cash flow reinvestment ratio increased: Mainly due to the higher cash provided by operating activities in 2020.

Note 1: Based on audited financial statements in the last 5 years.

Note 2: Receivable and inventory turnover rates are being calculated using net receivables and net inventory instead.

Note 3: No calculation was made if cash flow from operating activities resulted in a net outflow.

* Glossary

4. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

5. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

6. Operating Performance Analysis
   (1) Accounts Receivable Turnover = Net Sales / Average Trade Receivables
   (2) Average Collection Period = 365 / Accounts Receivable Turnover
   (3) Inventory Turnover = Cost of Goods Sold / Average Inventory
   (4) Accounts Payable Turnover = Cost of Goods Sold / Average Accounts Payable
   (5) Average Days in Sales = 365 / Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets

7. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity
   (3) Profit Ratio = Net Income / Net Sales
   (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

8. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

9. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Review Report

Pegavision Corporation

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Ernst & Young Taiwan was retained to audit Pegavision's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Pegavision Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Pegavision Corporation

Chairman of the Audit Committee: Andrew T. Huang

January 29, 2021

6.4 Consolidated Financial Statements of 2020 and 2019

Please refer to Annex: Consolidated Financial Statements for the Years end December 31, 2020 and 2019 and Independent Auditors' Report.

6.5 Unconsolidated Financial Statements of 2020 and 2019

Please refer to Annex: Parent Company Only Financial Statements for the Years end December 31, 2020 and 2019 and Independent Auditors' Report.

6.6 Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2020 and as of the date of this Annual Report: None.

Financial Status and Operating Result

7.1 Financial Status (Consolidated)

Unit: NT$ thousands

Item	2020	2019	Difference	%
Current Assets	2,890,778	1,987,183	903,595	45.47
Property, Plant and Equipment	3,090,551	3,029,925	60,626	2.00
Right-of-use Assets	106,734	166,708	-59,974	-35.98
Intangible Assets	6,296	4,536	1,760	38.80
Other Assets	321,672	121,353	200,319	165.07
Total Assets	6,416,031	5,309,705	1,106,326	20.84
Current Liabilities	1,716,966	1,188,472	528,494	44.47
Noncurrent Liabilities	103,350	67,528	35,822	53.05
Total Liabilities	1,820,316	1,256,000	564,316	44.93
Capital Stock	700,000	700,000	-	-
Capital Surplus	1,804,928	1,804,928	-	-
Retained Earnings	2,098,930	1,558,571	540,359	34.67
Other Equity Interest	(8,143)	(9,794)	1,651	-16.86
Total Equity	4,595,715	4,053,705	542,010	13.37

Analysis of Deviation over 20%

1. Current assets: Mainly explained by increases in cash, cash equivalents, financial assets at fair value through profit or loss, and net accounts receivable in 2020.
2. Right of use assets: Mainly due to the derecognition of contracts which expired or were cancelled in 2020.
3. Other assets: Mainly explained by a increase of prepaid equipment in 2020.
4. Current liabilities: Mainly explained by increases of short-term loan, contractual liabilities, accounts payable, other payables, current income tax liabilities and other current liabilities in 2020.
5. Non-current liabilities: Mainly explained by increases of long-term loan and deferred income tax liabilities in 2020.
6. Retained earnings: Mainly explained by increases of revenue and net profit in 2020.

Major Impact on Financial Performance

The above deviations had no major impact on Pegavision’s financial position.

7.2 Financial Performance (Consolidated)

Unit: NT$ thousands

Item	2020	2019	Difference	%
Net Revenue	3,978,413	3,355,133	623,280	18.58
Cost of Revenue	(1,973,888)	(1,862,103)	-111,785	6.00
Gross Profit	2,004,525	1,493,030	511,495	34.26
Operating Expenses	(1,148,837)	(900,916)	-247,921	27.52
Income from Operations	855,688	592,114	263,574	44.51
Non-operating Income and Expenses	(10,834)	(31,259)	20,425	-65.34
Income before Income Tax	844,854	560,855	283,999	50.64
Income Tax Expenses	(129,495)	(85,363)	-44,132	51.70
Net Income	715,359	475,492	239,867	50.45
Other Comprehensive Income (Loss), Net of Income Tax	1,651	(4557)	6,208	-136.23
Total Comprehensive Income for the Year	717,010	470,935	246,075	52.25

Analysis of Deviation over 20%

1. Gross profit: Mainly due to the fact that the increase of revenue was greater than that of operating cost in 2020.
2. Operating expenses: Mainly explained by increases of selling expenses, administrative expenses and research & development expenses in 2020.
3. Income from operation and income before income tax: Mainly explained by higher increases of revenues relative to operating cost and operating expense in 2020.
4. Non-operating income and expenses: Mainly due to the decrease of financial cost in 2020.
5. Income tax expenses: Mainly explained by higher taxable income in 2020.

The above deviations had no major impact on Pegavision's financial position.

Sales Volume Forecast and Related Information

Please refer to "Letter to Shareholders".

Major Impact on Financial Performance

The above deviations had no major impact on Pegavision's financial performance.

Future Plan on Financial Performance

Not applicable.

7.3 Cash Flow (Consolidated)

Unit: NT$ thousands

Item	2020	2019	Difference	%
Net Cash Provided by Operating Activities	1,194,216	772,247	421,969	54.64
Net Cash Used in Investing Activities	(719,032)	(1,191,429)	472,397	(39.65)
Net Cash Provided by Financing Activities	(43,833)	806,899	(850,732)	(105.43)

Analysis of Cash Flow

1. Net cash provided by operating activities increased by NT$421.969 million: this was mainly due to the increase of net profit before tax and the decrease of income tax paid in the period of 2020 compared with those in the previous period.
2. Net cash used in investing activities reduced by NT$472.397 million: this was mainly attributed to lower amounts of property, plant and equipment acquired in 2020 compared to the previous year.
3. Net cash provided by financing activities increased by NT$850.732 million: this was mainly due to the net cash inflow from the cash capital increase in 2019 and the increase of expenditure from cash dividend payment in 2020.

Remedial Actions for Liquidity Shortfall

Not applicable.

Cash Flow Projection for Next Year

Not applicable.

7.4 Recent Years Major Capital Expenditures and Impact on Financial and Business

The capacity expansion project was driven by growing demands for the Company's products, and has been funded using equity capital and bank borrowings. This expansion project will be adjusted flexibly depending on the growth of client orders, for which the Company has already sourced sufficient capital and credit facilities to finance accordingly. For this reason, capital expenditure should have no material impact on financial or business performance.

7.5 Investment Policy and Profit or Loss Incurred on Investments in 2020, and Investments Planned for 2021

7.5.1 Investment Policies

The Company's investment policies have been developed to cater for the needs of its core business and to support long-term strategies instead of short-term gains. Investment projects are planned primarily to expand sales channel and market share, and thereby support growth of proprietary brands and OEM service.

7.5.2 Profit or Loss Incurred on Investments in 2020

Unit: NT$ thousands

Long term Investment	Profit or loss in 2020	Main cause of profit (loss)	Improvement plans
Pegavision Holdings Corporation	10,150	Financial holding company, with investment in subsidiary - Pegavision Contatct Lenses (Shanghai) Corporation, had its name taken off on September 2, 2020 due to organizational restructuring.	None
Pegavision Contatct Lenses (Shanghai) Corporation	5,182	Gain on investment of Gemvision Technology (Zhejiang) Ltd. accounted using the equity method.	None
Gemvision Technology (Zhejiang) Limited	2,281	Actively explored the mainland market, with the operations in good condition.	None
Pegavision Japan Inc	19,805	Business operations are considered strong.	None
Aquamax Corporation	(2,328)	Not yet in formal operation.	None
Aquamax Vision Corporation	(2,101)	Not yet in formal operation.	None

7.5.3 Investments Planned for 2021

Pegavision (Jiangsu) Limited was established on March 15, 2021.

7.6 Evaluation of Risk Management Issues

7.6.1 Impact of Interest Rate, Exchange Rate, and Inflation on the Company’s Earnings, and Response Measures

Interest Rate Fluctuation

- **Impact on the Company's earnings**

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. For 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 1%, the consolidated net income (loss) for the years ended December 31, 2020 and 2019 would increase/decrease by NT$4,884 thousand and NT$4,442 thousand, respectively.

• Response measures

The Company monitors bank borrowing rates on a regular basis and maintains good relationship with banks to make sure that loans are drawn at more favorable rates, and thereby reduce interest expenses. Changes in market interest rate are also monitored constantly to keep track of impact on the Company's capital and to facilitate proper responses. For the above reasons, interest rate changes should not cause any significant impact to earnings.

Foreign Exchange Volatility

• Impact on the Company's earnings

When NTD appreciates/depreciates against USD by 1%, the consolidated net income (loss) for the years ended 31 December 2020 and 2019 would decrease/increase by NT$1,797 thousand and NT$979 thousand, respectively; When NTD appreciates/depreciates against CNY by 1%, the consolidated net income (loss) for the years ended 31 December 2020 and 2019 would decrease/increase by NT$1,887 thousand and NT$2,382 thousand, respectively. Although exchange rate changes have yet to pose any significant impact on the Company, exchange rate uncertainties may still affect the Company's revenues and profits to some degree.

• Response measures

A. All business units take exchange rate trends into consideration when submitting quotations to customers; quotations are adjusted dynamically to avoid significant impact on the Company's profits.

B. Purchases and expenses are paid in the same currency as sales revenue. Outstanding positions of foreign currency-denominated asset and liability are adjusted as deemed necessary to minimize risk of exchange rate change.

C. The finance department maintains close relationship with financial institutions and makes flexible adjustments to foreign currency positions by observing exchange rate changes and using exchange rate instruments.

Inflation

• Impact on the Company's earnings

According to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, annual increase (decrease) of consumer price index as of January 2021was reported at -0.16%, which indicated no significant inflation. As of the publication date of annual report, the Company had not encountered any significant impact on earnings due to inflation.

• Response measures

A. The Company pays close attention to changes in raw material prices and maintains good interaction with suppliers to reduce impact on earnings. The Company also monitors research reports and economic data published by professional research and investment institutions and makes appropriate policy adjustments accordingly to mitigate the effect of inflation on earnings.

B. The Company is dedicated to reducing production cost through procedure advancements, and actively addresses inflation impact by developing high value-adding products of high gross profit margin. The Company adopts a dynamic pricing approach that adjusts selling prices as soon as the cost of raw material varies outside the tolerable range, which mitigates inflation impact by a significant degree.

7.6.2 Policies Associated with High-Risk/Highly Leveraged Investments; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

The Company has always adopted a pragmatic focus toward its core business and formulated internal policies out of conservatism. The organization does not engage in high-risk or highly leveraged investment, lending, endorsement, guarantee or derivative trading activity of any kind. Furthermore, "External Party Lending, Guarantee and Endorsement Procedures" and "Asset Acquisition and Disposal Procedures" are available to serve as guidance should a need arise in the future.

7.6.3 Future R&D Plans

The Company plans its product/technology developments not only in line with customers' and market's needs, but also out of forecast toward future industry trends, market growth and product/technology potentials. Below is a summary of the Company's development focus:

• Automated production

A. To develop AI-based image inspection technology to improve the precision of automated tests, and thereby improve product quality.

B. Production technology for refined color patterns will be further improved to increase details of patterns printed on cosmetic contact lenses.

C. To introduce a small-batch of elastic production system in response to the small-quantity and diversified production mode of color make-up lenses in order to improve the production efficiency and manpower.

D. A smart packaging system will be developed to reduce the size of workforce required in packaging.

- **Optics design**

A. Next-generation ultra-precision production technologies will be adopted to enable toric surface design.
B. Improvements will be made to toric lenses for better comfort and more stable vision quality.
C. New progressive multifocal and myopia control lenses.

- **New materials and new products.**

A. Silicone hydrogel-based lenses of exceptional surface characteristics and low cost.
B. Developed blue light resistant lenses to reduce the influence of yellow materials.

Expected R&D expenses

The Company expected to invest over NT$370 million into the R&D of various products and technologies in 2021 to ensure the Company's long-term competitiveness.

7.6.4 Financial Impacts and Response Measures in the Event of Changes in Local and Foreign Regulations

The Company complies with local and foreign regulations in all of its daily operations, pays constant attention to political and regulatory developments local and abroad, and gathers relevant information to support the management's decisions. Furthermore, the Company makes flexible changes to its operating strategy and is therefore able to prevent financial and business impact caused by changes in local and foreign regulations. The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in 2020 up until the publication date of this annual report.

7.6.5 Financial Impacts and Response Measures in the Event of Technological or Industrial Changes

The Company is mainly involved in the production of contact lenses, an industry that is prone to risk of substitute from two sources: 1. Intrusive surgeries including LASIK and contact lens implant, both of which unpopular among patients either because of non-reversibility (LASIK) or the regular need to replace implant through surgery; and 2. Spectacles, which are expected to maintain market share at best due to the lack of technological breakthrough. The Company foresees no substitute product or technology in the near future, and therefore expects no major financial or business impact from technological or industrial changes.

7.6.6 Crisis Management, Impacts, and Response Measures in the Event of a Change in Corporate Image

The Company has always devoted attention to its core business activities since inception, and values integrity, sustainability and compliance in all of its conducts. The Company earns recognition from consumers by producing high-quality products, and has not encountered any crisis caused by change of corporate image to date. However, occurrence of corporate crisis may still cause substantial damage to the organization, which is why the Company will continue to enforce sound corporate governance as means to minimize risks and impact.

7.6.7 Expected Benefits, Risks and Response Measures in Relation to Mergers and Acquisitions

The Company had no merger or acquisition planned in the last year or as of the publication date of this annual report. Any acquisition or merger planned in the future will be evaluated according to the Company's "Asset Acquisition and Disposal Procedures" to protect the Company's interests and interests of shareholders.

7.6.8 Expected Benefits, Risks and Response Measures Associated with Plant Expansions

The contact lens market is still in its growth stage, and apart from product development and global market expansion, the Company acquired land and plant premise in Daxi, Taoyuan, in 2019 and later commenced construction of new plant in October 2019. This additional production capacity allows the Company to meet growing market demands in the future, and therefore presents minimal risk.

7.6.9 Risks and Response Measures Associated with Concentrated Sales or Purchases

Purchases

Chemical materials, packaging materials and Polypropylene represent the majority of raw materials purchased by the Company. None of the above raw materials was monopolized by any supplier; hence, there should be no difficulty in acquiring. In addition to maintaining strong business relationship with existing suppliers, the Company also actively searches for new reliable suppliers and maintains adequate level of key materials at all times in case of force majeure or unexpected occurrence. The largest supplier accounted for only 14.27% and 15.25% of total purchase in 2020 and 2019, respectively. Raw material usage should change given the ongoing change in product portfolio, and main suppliers should account for a lower percentage as new suppliers are introduced. Overall, the Company does not expect any significant risk from concentrated or unstable supply.

Sales

The Company devotes significant attention to the design integration, manufacturing and after-sale of its products. In addition to maintaining relationship with existing customers, the Company also commits effort into exploring new customers, technology/procedure improvements, market demands and product applications, and ventures into new products and markets as a means to reduce sales concentration risk. The largest buyer accounted for only 10.95% and 13.23% of total revenues in 2020 and 2019, respectively, which showed no significant sign of concentration.

7.6.10 Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by Pergavision's Directors, and/or Major Shareholders Who Own 10% or More of Pegavision's Total Outstanding Shares: Not applicable.

7.6.11 Impacts, Risks and Response Measures Associated with a Change of Management: Not applicable.

7.6.12 Litigation and Non-Contentious Cases

None of the Company or its director, President, person-in-charge or subsidiary was involved in any ongoing litigations, non-contentious cases, or administrative litigations in 2020 up till the publication date of annual report, whether concluded or pending judgment, that may present significant impact to shareholders' interests or securities price. Shareholders with more than 10% ownership interest include subsidiaries of Pegatron Corporation (parent) and KINSUS Interconnect Technology Corp (parent). Please refer to annual reports of the respective companies for information on litigation and non-contentious cases.

7.6.13 Information security risk

The IT Department is responsible for the information security of the Company. The director and professional information personnel of the Department are responsible for formulating the information security policy, planning and implementing information security operations, and reporting the implementation status of various businesses to the President every month.

The Company's information security policy focuses on strengthening information security management, preventing the Company's data, systems, equipment and network from unauthorized access, use, control, leakage, destruction, tampering, destruction or other infringement, and ensuring their confidentiality, integrity and availability, to ensure the Company's sustainable business operation. Since 2015, the Company has successively introduced relevant information security protection and detection systems to prevent external information security threats to a certain extent; since 2018, the Company has started to strengthen control measures against internal information security risks, such as the introduction of computer peripheral and network access control, and file access exception warning. At present, the company has effectively controlled the information security risk.

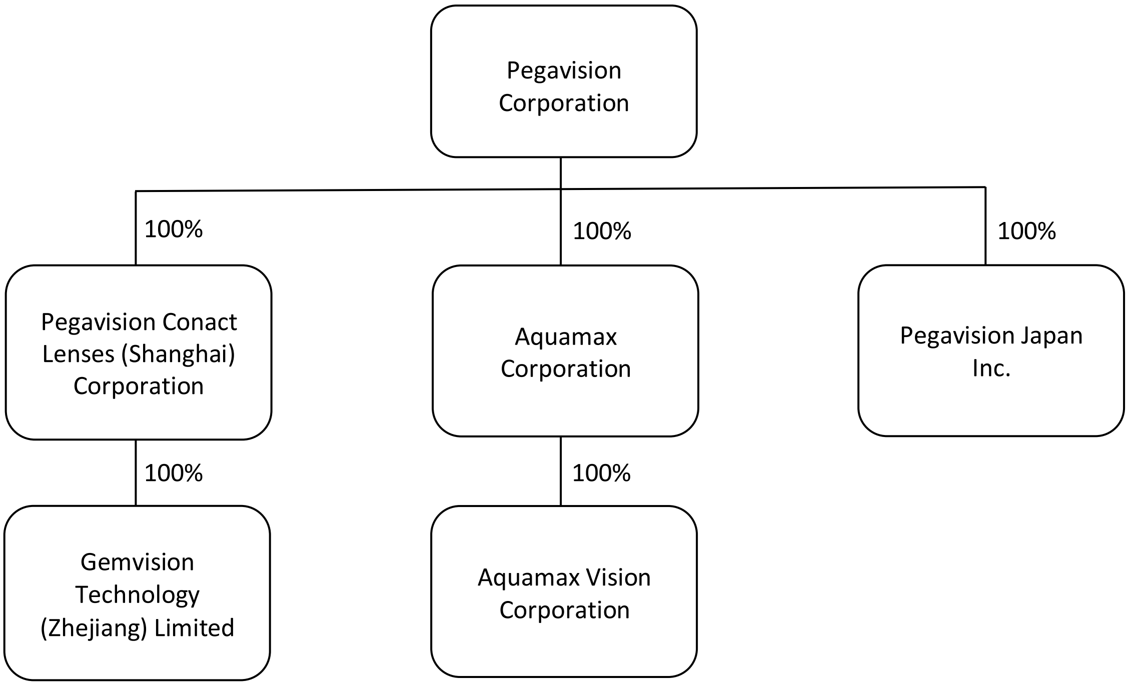
7.7 Other Material Issues

The Company had no other material issues subject to disclosure as of the publication date of annual report.

Subsidiary Information and Other Special Notes

8.1 Subsidiaries *(As of December 31,2020)*

8.1.1 Pegavision Subsidiaries Chart



8.1.2 Business Scope of Pegavision and Its Subsidiaries

The business scope of Pegavision and its affiliated companies includes research, development, manufacturing, wholesaling and retailing of contact lenses.

8.1.3 Pegavision Subsidiaries

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Pegavision Contact Lenses (Shanghai) Corporation	Sep. 25, 2012	Shanghai, China	CNY	3,600	Selling of Medical Materials and Equipment
Pegavision Japan Inc.	May 15, 2015	Japan	JPY	9,900	Selling of Medical Materials and Equipment and Providing Customer Services
Gemvision Technology (Zhejiang) Limited	Jan. 29, 2019	Zhejiang, China	CNY	10,000	Selling of Medical Materials and Equipment
Aquamax Corporation	June 15, 2020	Taiwan	NTD	40,000	Selling of Medical Materials and Equipment
Aquamax Vision Corporation	July 29, 2020	Zhejiang, China	CNY	10,000	Selling of Medical Materials and Equipment

8.1.4 Shareholders in Common of Pegavision and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.5 Directors, Supervisors, and Presidents of Pegavision's Subsidiaries

Company	Title	Name	Shareholding	
			Shares	%
Pegavision Contact Lenses (Shanghai) Corporation	Director	Pegavision Corporation (Rep.: Tony Wang)	-	100
Pegavision Japan Inc,	Director	Pegavision Corporation (Rep.: Gwendolyn Kao)	198	100
Gemvision Technology (Zhejiang) Limited	Director	Pegavision Contact Lenses (Shanghai) Corporation (Rep.: Tony Wang)	-	100
Aquamax Corporation	Chairman	Pegavision Corporation (Rep.: Tony Wang)	4,000,000	100
Aquamax Vision Corporation	Director	Aquamax Corporation (Rep.: Gwendolyn Kao)	6,000,000	100

8.1.6 Operational Highlights of Pegavision Subsidiaries

Unit: NT$ thousands

Company	Capital Stock	Assets	Liabilities	%
Pegavision Contact Lenses (Shanghai) Corporation	2,554	450,231	404,389	45,842
Pegavision Japan Inc,	112,559	118,782	12,595	106,187
Gemvision Technology (Zhejiang) Limited	43,886	388,949	295,665	93,284
Aquamax Corporation	40,000	40,045	2,370	37,675
Aquamax Vision Corporation	17,174	15,487	411	15,076

8.1.7 Status of Pegavision Common Shares Acquired, Disposed of, and Held by Subsidiaries:

None.

8.2 Special Notes

8.2.1 Private Placement Securities in 2020 and as of the Date of this Annual Report: None.

8.2.2 Any Events in 2020 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

8.2.3 Other Necessary Supplement: None.

Ticker: 6491

PEGAVISION CORPORATION AND SUBSIDIARIES
CONSOLIDATED 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 consolidated 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.

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Pegavision Corporation as of December 31, 2020 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegavision Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Pegavision Corporation

By

Tung, Tzu-Hsien
Chairman
January 29th, 2021

INDEPENDENT AUDITORS' REPORT

To : the Board of Directors and Shareholders of
Pegavision Corporation

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and its consolidated 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 and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries 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 most significance in our audit of consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated 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 Group's revenue amounting to NT$3,978,413 thousand for the year ended December 31, 2020 is a significant account to the Group's consolidated financial statements. The Group 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 consolidated financial statements.

Market valuation on Inventory

We determined the market valuation on inventory is also one of key audit matters. The Group's net inventory amounted to NT$389,405 thousand, representing 6% of total assets, as of December 31, 2020, which is significant to the Group's consolidated financial statements. The market of the Group'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 Group'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 consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries 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 and its subsidiaries.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 and its subsidiaries.

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 and its subsidiaries. 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 and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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.

Other

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2020 and 2019.

*/s/*Cheng, Ching-Piao

*/s/*Kuo, Shao-Pin

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

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.

Accordingly, the accompanying consolidated 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 and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2020 and 2019

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2020		As of December 31, 2019	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$1,246,001	19	$812,807	15
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), 6(15), 7	574,715	9	253,311	5
1200	Other receivables		3,680	-	2,338	-
1310	Inventories, net	4, 6(4)	389,405	6	549,992	10
1410	Prepayments		54,070	1	23,275	-
1470	Other current assets		56,138	1	29,340	1
11xx	Total current assets		2,890,778	45	1,987,183	37
15xx	Non-current assets					
1600	Property, plant and equipment, net	4, 6(5), 8, 9	3,090,551	48	3,029,925	57
1755	Right-of-use assets, net	4, 6(16)	106,734	2	166,708	3
1780	Intangible assets, net	4, 6(6)	6,296	-	4,536	-
1840	Deferred tax assets	4, 6(20)	14,636	-	4,689	-
1900	Other non-current assets	6(5), 6(7), 7, 8	307,036	5	116,664	3
15xx	Total non-current assets		3,525,253	55	3,322,522	63
1xxx	Total Assets		$6,416,031	100	$5,309,705	100

(The accompanying notes are an integral part of the consolidated financial statements.)

Pegavision Corporation and Subsidiaries
Consolidated Balance Sheets-(Continued)
As of December 31, 2020 and 2019
(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2020		As of December 31, 2019	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term borrowings	6(8)	$367,890	6	$128,914	3
2130	Contract liabilities	6(14)	80,262	1	70,765	1
2150	Notes payable		554	-	3,730	-
2170	Accounts payable		144,090	2	99,619	2
2200	Other payables	6(9), 7	841,310	13	652,391	12
2230	Current tax liabilities	4, 6(20)	82,178	2	32,819	1
2280	Lease liabilities	4, 6(16)	41,846	1	113,937	2
2300	Other current liabilities	6(10), 6(11)	158,836	2	86,297	2
21xx	Total current liabilities		1,716,966	27	1,188,472	23
25xx	Non-current liabilities					
2540	Non-current portion of long-term borrowings	6(11), 8	14,705	-	-	-
2570	Deferred tax liabilities	4, 6(20)	23,366	-	8,623	-
2580	Lease liabilities	4, 6(16)	64,400	1	58,143	1
2645	Guarantee deposits received		645	-	762	-
2670	Other non-current liabilities	4, 6(10), 6(11)	234	-	-	-
25xx	Total non-current liabilities		103,350	1	67,528	1
2xxx	Total liabilities		1,820,316	28	1,256,000	24
3100	Capital	6(13)				
3110	Common stock		700,000	11	700,000	13
3200	Capital surplus	6(13)	1,804,928	28	1,804,928	34
3300	Retained earnings	6(13)				
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	72	4,053,705	76
	Total liabilities and equity		$6,416,031	100	$5,309,705	100

(The accompanying notes are an integral part of the consolidated financial statements.)

Pegavision Corporation and Subsidiaries

Consolidated Statements Of Comprehensive Incomes

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

			2020		2019	
Code	Items	Notes	Amount	%	Amount	%
4000	Operating revenue	4, 6(14)	$3,978,413	100	$3,355,133	100
5000	Operating costs	6(4), 7	(1,973,888)	(50)	(1,862,103)	(55)
5900	Gross profit		2,004,525	50	1,493,030	45
6000	Operating expenses	7				
6100	Selling expenses		(552,737)	(14)	(427,763)	(13)
6200	Administrative expenses		(218,086)	(6)	(195,045)	(6)
6300	Research and development expenses		(374,460)	(9)	(279,802)	(8)
6450	Expected credit gains (losses)	6(15)	(3,554)	-	1,694	-
	Operating expenses total		(1,148,837)	(29)	(900,916)	(27)
6900	Operating income		855,688	21	592,114	18
7000	Non-operating income and expenses	6(18)				
7100	Interest income		4,813	-	3,839	-
7010	Other income		12,025	-	8,900	-
7020	Other gains or losses		(23,714)	-	(21,841)	-
7050	Finance costs		(3,958)	-	(22,157)	(1)
	Total non-operating incomes and expenses		(10,834)	-	(31,259)	(1)
7900	Income from continuing operations before income tax		844,854	21	560,855	17
7950	Income tax	4, 6(20)	(129,495)	(3)	(85,363)	(3)
8200	Net income		715,359	18	475,492	14
8300	Other comprehensive income (loss)	6(19)				
8360	Items that may be reclassified subsequently to profit or loss					
8380	Exchange differences resulting from translating the financial statements of a foreign operation		1,651	-	(4,557)	-
	Total other comprehensive income, net of tax		1,651	-	(4,557)	-
8500	Total comprehensive income		$717,010	18	$470,935	14
9750	Earnings per share-basic (in NTD)	4, 6(21)	$10.22		$7.62	
9850	Earnings per share-diluted (in NTD)	4, 6(21)	$10.16		$7.56	

(The accompanying notes are an integral part of the consolidated financial statements.)

Pegavision Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent						
				Retained Earnings				
		Capital	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Total Equity
Code	Items	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 consolidated financial statements.)

Pegavision Corporation and Subsidiaries

Consolidated 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	Income before income tax	$844,854	$560,855
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation (including right-of-use assets)	606,087	685,206
A20200	Amortization	2,929	1,866
A20300	Expected credit losses (gain)	3,554	(1,694)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(947)	(166)
A20900	Interest expense	3,958	22,157
A21200	Interest income	(4,813)	(3,839)
A22500	Loss (gain) on disposal of property, plant and equipment	(1,599)	1,530
A23700	Impairment loss on non-finacial assets	19,627	12,149
A29900	Loss (gain) on lease modification	(160)	(273)
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	(324,972)	(59,172)
A31180	Other receivables	(1,329)	303
A31200	Inventories	160,587	246,908
A31230	Prepayments	(30,795)	(5,965)
A31240	Other current assets	(26,798)	15,334
A32125	Contract liabilities	9,497	(61,058)
A32130	Notes payable	(3,176)	2,551
A32150	Accounts payable	44,471	(12,097)
A32180	Other payables	143,439	(58,090)
A32230	Other current liabilities	72,474	22,804
A33000	Cash generated from operations	1,267,165	1,053,355
A33100	Interest received	4,800	5,032
A33300	Interest paid	(2,151)	(20,481)
A33500	Income tax paid	(75,598)	(265,659)
AAAA	Net cash provided by (used in) operating activities	1,194,216	772,247

Code	Items	2020	2019
BBBB	Cash flows from investing activities:		
B00040	Disposal (acquisition) of financial assets at amortised cost	-	75,281
B02700	Acquisition of property, plant and equipment	(711,244)	(1,266,497)
B02800	Proceeds from disposal of property, plant and equipment	1,599	16
B03700	Decrease (increase) in refundable deposits	(4,698)	3,867
B04500	Acquisition of intangible assets	(4,689)	(4,096)
BBBB	Net cash provided by (used in) investing activities	(719,032)	(1,191,429)
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	Repayments of long-term borrowings	-	(1,700,000)
C03000	Increase (decrease) in guarantee deposits received	(117)	(1,297)
C04020	Payments of lease liabilities	(122,692)	(136,145)
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	(43,833)	806,899
DDDD	Effect of exchange rate changes	1,843	(4,909)
EEEE	Increase (decrease) in cash and cash equivalents	433,194	382,808
E00100	Cash and cash equivalents at beginning of period	812,807	429,999
E00200	Cash and cash equivalents at end of period	$1,246,001	$812,807

(The accompanying notes are an integral part of the consolidated 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 consolidated financial statements of the Company and its subsidiaries ("the Group") 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 Group 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 standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

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

The Group 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 Group 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 Group 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)	January 1,2021

(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:

A. 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;
B. 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
C. 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 January 1,2021 have no material impact on the Group.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group 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 January 1, 2023 (from the original effective date of January 1, 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 January 1, 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 Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses all standards and interpretations have no material impact on the Group.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Group 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") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3)Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(A)Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(B)Exposure, or rights, to variable returns from its involvement with the investee, and
(C)The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(A)The contractual arrangement with the other vote holders of the investee
(B)Rights arising from other contractual arrangements
(C)The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

If the Company loses control of a subsidiary, it:

(A)Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(B)Derecognizes the carrying amount of any non-controlling interest;
(C)Recognizes the fair value of the consideration received;
(D)Recognizes the fair value of any investment retained;
(E)Recognizes any surplus or deficit in profit or loss; and
(F)Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of Ownership (%), As of December 31,		
Investor	Subsidiary	Main business	2020	2019	Note
The Company	Pegavision Holdings Corporation	Investing activities	-%	100.00%	Note4
The Company	Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	100.00%	100.00%	Note1
Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	Selling medical equipment	100.00%	100.00%	None
The Company	Pegavision Japan Inc.	Selling medical equipment	100.00%	100.00%	None
The Company	Aquamax Corporation	Selling medical equipment	100.00%	Not applicable	Note 2
Aquamax Corporation	Aquamax Vision Corporation	Selling medical equipment	100.00%	Not applicable	Note 3

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: 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: The board of directors decided to set up Aquamax Vision Corporation which is 100% held by the Aquamax Corporation at February 10, 2020. The registration was completed at July 29, 2020.

Note 4: For the consideration of reorganization, the equity of Pegavision Holdings Corporation was struck off the register at September 2, 2020.

(4)Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items 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 from the settlement or translation of 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 instruments.

(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.

(5)Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollars at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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 NCIs in that foreign operation, instead of recognized in profit or loss. 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.

(6)Current and non-current distinction

An asset is classified as current when:

(A)The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(B)The Group holds the asset primarily for the purpose of trading.
(C)The Group 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 Group expects to settle the liability in its normal operating cycle.
(B)The Group 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 Group 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.

(7)Cash and cash equivalents

Cash and cash equivalents comprise 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 (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8)Financial instruments

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

The Group determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Group 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 Group 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 Group'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 Group 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 Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

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 Group 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 Group 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 Group 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.

<u>Financial asset measured at fair value through profit or loss</u>

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on a forementioned 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 Group 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 Group 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 Group 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 Group 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 Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group 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 Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c)The Group 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 Group 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.

(9)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 Group.

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 Group 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.

(10)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 conditions 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.

(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 Group 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	2 ~ 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 Group 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 Group 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 Group 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 Group 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 Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

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

At the commencement date, the Group 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 implicit interest rate in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group 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 Group 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 Group 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 Group 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 Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group 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 Group 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 Group accounted for as short-term leases or leases of low-value assets, the Group 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 Group 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.

Group as a lessor

At inception of a contract, the Group 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 Group 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 Group allocates the consideration in the contract applying IFRS 15.

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

Sale of goods

The Group 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 Group is contact lenses and revenue is recognized based on the consideration stated in the contract. The Group 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 Group's sale of goods is from T/T to 90 days. For most of the contracts, when the Group 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 Group 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 Group 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 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 in balance sheet at the reporting date.

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; or

(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 Group 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 consolidated 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 Group 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 Group 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 Group 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.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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	$3,386	$2,426
Checkings and savings	499,385	446,916
Time deposit	743,230	363,465
Total	$1,246,001	$812,807

(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

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(3)Accounts receivable, net

A. Accounts receivable, net

	As of December 31,	
	2020	2019
Accounts receivable, gross	$580,632	$255,655
Less: loss allowance	(5,917)	(2,349)
Subtotal	574,715	253,306
Accounts receivable - related parties, gross	-	5
Less: loss allowance	-	-
Subtotal	-	5
Total accounts receivable, net	$574,715	$253,311

B. Accounts receivable were not pledged.

C. Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is $580,632 thousand and NT$255,660 thousand as of December 31, 2020 and 2019, respectively. Please refer to Note 6 (15) for more details on loss allowance of accounts receivable for the periods 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	238,798	224,832
Total	$389,405	$549,992

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. For the years ended December 31, 2020 and 2019, the Group recognized NT$1,973,888 thousand and NT$1,862,103 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	$35,271	$37,516
Loss from inventory write-off obselencense	4,207	13,355
Loss from physical	4	-
Total	$39,482	$50,871

C.The inventories were not pledged.

(5)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	$77,650	$733,945	$113,150	$5,088,768
Addition	-	-	93	-	73	468	760,631	761,265
Disposals	-	-	(152,542)	(596)	(7,469)	(22,029)	-	(182,636)
Transfer	-	-	323,027	-	2,633	26,109	(356,458)	(4,689)
Effect of EX rate	-	-	-	-	4	141	-	145
As of 12/31/2020	$1,317,564	$69,345	$2,946,116	$980	$72,891	$738,634	$517,323	$5,662,853
As of 1/1/2019	$-	$-	$2,671,754	$1,576	$64,956	$662,532	$586,543	$3,987,361
Addition	-	-	-	-	100	7,517	1,125,024	1,132,641
Disposals	-	-	(10,695)	-	(3,550)	(12,844)	-	(27,089)
Transfer	1,317,564	69,345	114,479	-	16,149	76,784	(1,598,417)	(4,096)
Effect of EX rate	-	-	-	-	(5)	(44)	-	(49)
As of 12/31/2019	$1,317,564	$69,345	$2,775,538	$1,576	$77,650	$733,945	$113,150	$5,088,768

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Depreciation and impairment:								
As of 1/1/2020	$-	$3,872	$1,529,883	$1,166	$56,637	$417,999	$-	$2,009,557
Depreciation	-	4,224	389,984	128	10,905	85,469	-	490,710
Impairment loss	-	-	19,305	-	-	322	-	19,627
Disposal	-	-	(152,542)	(596)	(7,469)	(22,029)	-	(182,636)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	3	81	-	84
As of 12/31/2020	$-	$8,096	$1,786,630	$698	$60,076	$481,842	$-	$2,337,342
As of 1/1/2019	$-	$-	$1,092,688	$1,006	$47,462	$335,591	$-	$1,476,747
Depreciation	-	3,872	436,454	160	12,732	93,080	-	546,298
Impairment loss	-	-	11,436	-	-	713	-	12,149
Disposal	-	-	(10,695)	-	(3,550)	(11,298)	-	(25,543)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	(7)	(87)	-	(94)
As of 12/31/2019	$-	$3,872	$1,529,883	$1,166	$56,637	$417,999	$-	$2,009,557
Net carrying amount:								
As of 12/31/2020	$1,317,564	$61,249	$1,159,486	$282	$12,815	$256,792	$517,323	$3,325,511
As of 12/31/2019	$1,317,564	$65,473	$1,245,655	$410	$21,013	$315,946	$113,150	$3,079,211

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

	As of December 31,	
	2020	2019
Property, plant and equipment	$3,090,551	$3,029,925
Prepayment for equipment	234,960	49,286
Total	$3,325,511	$3,079,211

B.For the years ended December 31, 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 pledged.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6)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 Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(7)Other non-current assets

	As of December 31,	
	2020	2019
Refundable deposits	$72,076	$67,378
Prepayment for equipment	234,960	49,286
Total	$307,036	$116,664

(8)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 Group’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.

(9)Other payable

	As of December 31,	
	2020	2019
Accrued expenses	$730,120	$586,681
Accrued interest payable	250	102

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Payable to equipment suppliers	110,940	65,608
Total	$841,310	$652,391

(10)Other current liabilities

	As of December 31,	
	2020	2019
Other current liabilities	$22,858	$18,825
Refund liability	135,913	67,472
Current portion of long-term borrowings	65	-
Total	$158,836	$86,297

B.The changes in the Group's balances of deferred government grants income for the nine-month periods ended December 31, 2020 are as follows:

	2020
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(11) for more details on interest rate of deferred government grants income.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11)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 Group 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 Group shall recognize the government grant income when it is reasonably assured that the Group 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.

(12)Post-employment benefits

Defined contribution plan

The Company adopt 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 have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$31,814 thousand and NT$30,757 thousand, respectively.

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

(13)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.<u>Distribution of earnings</u>

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 policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders’ demand for cash, the Group’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.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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' meeting 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(17) for details on employees' compensation and remuneration to directors and supervisors.

(14)Operating revenue

	For the year ended December 31,	
	2020	2019
Revenue from customer contracts		
Sales of goods	$3,978,413	$3,355,133

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	$3,978,413	$3,355,133

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The timing for revenue recognition:		
At a point in time	$3,978,413	$3,355,133

B.Contract balances

a.Contract liabilities – current

As of	2020.12.31	2019.12.31	2019.01.01
Sales of goods	$64,981	$55,917	$121,084
Customer loyalty programmes	15,281	14,848	10,739
Total	$80,262	$70,765	$131,823

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

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	$(55,843)	$(14,848)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	64,907	15,281

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

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	$(121,084)	$(10,739)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	55,917	14,848

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15)Expected credit gains (losses)

	For the year ended December 31,	
	2020	2019
Operating expenses – Expected credit gains (losses)		
Accounts receivable	$(3,554)	$1,694

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	$570,762	$9,870	$-	$-	$-	$580,632
Loss rate	1.02%	1.00%	0%	0%	0%	
Lifetime expected credit losses	(5,818)	(99)	-	-	-	(5,917)
Carrying amount of accounts receivable	$564,944	$9,771	$-	$-	$-	$574,715

December 31, 2019

		Past due				
	Not past due	<=60 days	61-90 days	91-240 days	>=241 days	Total
Gross carrying amount	$225,699	$29,961	$-	$-	$-	$255,660
Loss rate	0.91%	1.00%	0%	0%	0%	
Lifetime expected credit losses	(2,049)	(300)	-	-	-	(2,349)
Carrying amount of accounts receivable	$223,650	$29,661	$-	$-	$-	$253,311

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B.The movement in the provision for impairment of accounts receivable for the year ended December 31, 2020 and 2019 are as follows:

	Accounts receivable
As of January 1, 2020	$2,349
Addition (reversal)	3,554
Effect of exchange rate changes	14
As of December 31, 2020	5,917
As of January 1, 2019 (in accordance with IAS 39)	$4,064
Addition (reversal)	(1,694)
Effect of exchange rate changes	(21)
As of December 31, 2019	$2,349

(16)Leases

A.Group as a lessee

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

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

a .Amounts recognized in the consolidated balance sheet

I.Right-of-use assets

	Land	Buildings	Machinery	Transportation	Total
Cost:					
As of 1/1/2020	$1,743	$276,415	$17,793	$2,490	$298,441
Addition	-	66,355	-	-	66,355
Disposals	(1,743)	(178,450)	-	-	(180,193)
Transfer	-	-	-	-	-
Effect of EX rate	-	266	-	-	266
As of 12/31/2020	$-	$164,586	$17,793	$2,490	$184,869

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 1/1/2019	$-	$292,541	$17,793	$1,330	$311,664
Addition	1,743	49,418	-	1,160	52,321
Disposals	-	(65,642)	-	-	(65,642)
Transfer	-	-	-	-	-
Effect of EX rate	-	98	-	-	98
As of 12/31/2019	$1,743	$276,415	$17,793	$2,490	$298,441
Depreciation and impairment:					
As of 1/1/2020	$581	$123,449	$6,888	$815	$131,733
Depreciation	1,162	106,302	6,888	1,025	115,377
Impairment loss	-	-	-	-	-
Disposal	(1,743)	(167,334)	-	-	(169,077)
Transfer	-	-	-	-	-
Effect of EX rate	-	102	-	-	102
As of 12/31/2020	$-	$62,519	$13,776	$1,840	$78,135
As of 1/1/2019	$-	$-	$-	$-	$-
Depreciation	581	130,624	6,888	815	138,908
Impairment loss	-	-	-	-	-
Disposal	-	(7,082)	-	-	(7,082)
Transfer	-	-	-	-	-
Effect of EX rate	-	(93)	-	-	(93)
As of 12/31/2019	$581	$123,449	$6,888	$815	$131,733
Net carrying amount:					
As of 12/31/2020	$-	$102,067	$4,017	$650	$106,734
As of 12/31/2019	$1,162	$152,966	$10,905	$1,675	$166,708

II.Lease liabilities

	As of December 31,	
	2020	2019
Lease liabilities	$106,246	$172,080
Current	$41,846	$113,937
Non-current	$64,400	$58,143

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 6 (18) (d) for the interest on lease liabilities recognized during the year ended December 31, 2020 and 2019 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 th year ended December 31,	
	2020	2019
The expense relating to short-term leases	$(48,273)	$(27,356)
The expense relating to leases of low-value assets	(1,448)	(1,212)
Income from subleasing right-of-use assets	847	834

The portfolio of short-term leases of the Group 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 expense 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	$172,413	$164,986

(17)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	$470,706	$996,573	$487,330	$362,459	$849,789
Labor and health insurance	48,041	33,114	81,155	48,773	28,787	77,560
Pension	15,681	16,149	31,830	15,734	15,075	30,809

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Directors' remuneration	-	12,532	12,532	-	9,455	9,455
Other employee benefit expense	27,231	20,142	47,373	22,993	15,180	38,173
Depreciation	526,051	80,036	606,087	601,278	83,928	685,206
Amortization	82	2,847	2,929	-	1,866	1,866

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 Group'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, 2021. 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.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18)Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,	
Interest income	2020	2019
Deposit interest	$3,569	$3,240
Financial assets measured at amortized cost	1,244	599
Subtotal	$4,813	$3,839

B.Other incomes

	For the year ended December 31,	
	2020	2019
Rent income	$847	$834
Government grants income	21	-
Other income - others	11,157	8,066
Total	$12,025	$8,900

C.Other gains and losses

	For the year ended December 31,	
	2020	2019
Gain (loss) from disposal of property, plant and equipment	$1,599	$(1,530)
Foreign exchange gain (loss), net	(3,026)	(8,495)
Gains (losses) on financial assets at fair value through profit or loss	947	166
Gains (losses) on lease modification	160	273
Impairment loss on non-financial assets	(19,627)	(12,149)
Other losses	(3,767)	(106)
Total	$(23,714)	$(21,841)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D.Finance costs

	For the year ended December 31,	
	2020	2019
Interests on borrowings from bank	$2,324	$19,310
Interest on lease liabilities	1,634	2,847
Total	$3,958	$22,157

(19)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 period:					
Exchange differences arising on translation of foreign operations	$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 period:					
Exchange differences arising on translation of foreign operations	$(4,557)	$-	$(4,557)	$-	$(4,557)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(20)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	$138,220	$101,013
Adjustments in respect of current income tax of prior periods	(13,522)	(17,736)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	4,797	2,086
Total income tax expense (income)	$129,495	$85,363

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	$844,854	$560,855
Tax payable at the enacted tax rates	$180,450	$117,250
Tax effect of income tax-exempted	(294)	(33)
Tax effect of expenses not deductible for tax purposes	78	1,393
Tax effect of deferred tax assets/liabilities	26,607	5,228
Surtax on undistributed earnings	12,419	19,815
Adjustments in respect of current income tax of prior periods	(13,522)	(17,736)
Other adjustments according to the Tax Law	(76,243)	(40,554)
Total income tax expense (income) recognized in profit or loss	$129,495	$85,363

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

For the year ended December 31, 2020

	Beginning balance as of Jan. 1, 2020	Deferred tax income (expense) recognized in profit or loss	Income tax relating to components of other comprehensive income	Exchange adjustment	Ending balance as of Dec. 31, 2020
Temporary differences					
Unrealized loss on inventory valuation	$1,991	$12,044	$-	$-	$14,305
Unrealized exchange loss (gain)	1,958	(6,997)	-	-	(5,039)
Other	(7,883)	(9,844)	-	1	(17,726)
Deferred tax income/ (expense)		$(4,797)	$-	$1	
Net deferred tax assets/(liabilities)	$(3,934)				$(8,730)
Reflected in balance sheet as follows:					
Deferred tax assets	$4,689				$14,636
Deferred tax liabilities	$8,623				$23,366

For the year ended December 31, 2019

	Beginning balance as of Jan. 1, 2019	Deferred tax income (expense) recognized in profit or loss	Income tax relating to components of other comprehensive income	Exchange adjustment	Ending balance as of Dec. 31, 2019
Temporary differences					
Unrealized loss on inventory valuation	$2,491	$(500)	$-	$-	$1,991
Unrealized exchange loss (gain)	(769)	2,727	-	-	1,958
Other	(3,557)	(4,313)	-	(13)	(7,883)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax income/ (expense)		$(2,086)	$-	$(13)	
Net deferred tax assets/(liabilities)	$(1,835)				$(3,934)
Reflected in balance sheet as follows:					
Deferred tax assets	$2,817				$4,689
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$97,797 thousand and NT$71,054 thousand, respectively.

E.The assessment of income tax return

	The assessment of income tax return
The Company	As of December 31, 2020, the assessment of income tax returns of the Company have been approved up to the year of 2018 but not yet approved in 2017.
Subsidiary - Aquamax Corporation	The registration was completed at June 15, 2020. So there is no income tax declaration.

(21)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.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7.RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

Related parties	Relation
Pegatron Corporation	Ultimate parent company
Kinsus Interconnect Technology Corp.	Parent company
Pegatron Japan Inc.	Other related party
GNDC (Shanghai) Co., Ltd.	Other related party
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
Parent company	$-	$73

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 after monthly closing for parent company.

B.Lease-related parties

a.Right-of-use assets

		As of December 31,	
Related parties	Nture	2020	2019
Pegatron Corporation	Buildings	$-	$59,555
Other related party	Buildings	635	1,480
Total		$635	$61,035

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b.Lease liabilities

Related parties	As of December 31, 2020	2019
Pegatron Corporation	$-	$65,406
Other related party	643	1,489
Total	$643	$66,895

c.Lease payment (Rental expense)

Related parties	Nature	For the year ended December 31, 2020	2019
Pegatron Corporation	Buildings	$38,369	$8,441
Pegatron Corporation	Other equipments	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
Other related parties	14	61
Total	$262	$1,462

C.Operating expense

Related parties	Nature	For the year ended December 31, 2020	2019
Pegatron Corporation	Provide services	$361	$399
Pegatron Corporation	Pay utilities	$69,793	$69,503
Other related parties	Provide services and pay utilities and postage	$128	$130
Other related parties	Provide services and pay utilities and postage	$-	$41
Other related parties	Provide services	$85	$180

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D.Refundable deposits

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

E.Accounts receivable - related parties

	As of December 31,	
	2020	2019
Kinsus Interconnect Technology Corp.	$-	$5
Less: loss allowance	-	-
Net	$-	$5

F.Other payables

	As of December 31,	
	2020	2019
Pegatron Corporation	$19,705	$16,660
Other related parties	9	61
Total	$19,714	$16,721

G.Salaries and rewards to key management of the Group

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

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

8. PLEDGED ASSETS

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

Item	Carrying Amount As of December 31, 2020	Carrying Amount As of December 31, 2019	Secured liabilities
Property, plant and equipment - Land (carrying amount)	$-	$1,317,565	Secured borrowings
Property, plant and equipment - Buildings (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 Group'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
	$1,899,167	$329,533	$1,569,634

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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)	1,242,615	810,381
Accounts receivables	574,715	253,311
Other receivables	3,680	2,338
Refundable deposits	72,076	67,378
Subtotal	1,893,086	1,133,408
Total	$2,459,855	$1,449,528

Financial liabilities

	As of December 31,	
	2020	2019
Financial liabilities at amortized cost:		
Short-term borrowings	$367,890	$128,914
Payables	985,954	755,740
Long-term borrowings(including current portion with maturity less than 1 year)	14,705	-
Lease liabilities	106,246	172,080
Total	$1,474,795	$1,056,734

(2)Financial risk management objectives and policies

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

The Group 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 Group complies with its financial risk management policies at all times.

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

The Group has certain foreign currency receivables 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 possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group'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%, net income (loss) for the the year ended December 31, 2020 and 2019 would decrease/increase by NT$1,797 thousand and NT$979 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, net income (loss) for the the year ended December 31, 2020 and 2019 would decrease/increase by NT$1,887 thousand and NT$2,382 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 Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans 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 the year ended December 31, 2020 and 2019 would increase /decrease by NT$488 thousand and decrease/increase by NT$444 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 Group 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 Group'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 Group's internal credit ratings. The Group 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 69.22% and 51.59% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group 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. Conclusively, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for contract assets and trade receivables, 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 Group 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 Group'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	985,954	-	-	-	-	-	985,954
Lease Liabilities	42,787	26,382	11,655	5,684	4,763	17,553	108,824
As of December 31, 2019							
Borrowings	$129,508	$-	$-	$-	$-	$-	$129,508
Payables	755,740	-	-	-	-	-	755,740
Lease Liabilities	115,220	34,160	18,082	4,411	1,425	794	174,092

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(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	$172,080	$301,756
Cash flows	238,976	15,000	(117)	(122,692)	131,167
Non-cash changes					
Lease range changes	-	-	-	55,079	55,079
Interests on lease liabilities	-	-	-	1,634	1,634
Others	-	(295)	-	-	(295)
Currency rate change	-	-	-	145	145
As of December 31, 2020	$367,890	$14,705	$645	$106,246	$489,486

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	$311,664	$1,073,224
Cash flows	(30,587)	(600,000)	(1,297)	(136,145)	(768,029)
Non-cash changes					
Lease range changes	-	-	-	(6,512)	(6,512)
Interests on lease liabilities	-	-	-	2,847	2,847
Currency rate change	-	-	-	226	226
As of December 31, 2019	$128,914	$-	$762	$172,080	$301,756

(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 Group 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 maturity.

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 Group and private Group 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 Group’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 Group.

(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 Group 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 Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group’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				

(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	$19,286	28.497	$549,593	$7,597	29.980	$227,791
CNY	50,319	4.367	$219,759	$61,860	4.297	$265,844
Financial liabilities						
Monetary items:						
USD	$12,981	28.497	$369,915	$4,331	29.980	$129,846
CNY	$7,120	4.367	$31,097	$6,422	4.297	$27,598

Foreign currencyresulting in exchange gain or loss	2020		2019
USD	$(9,839)	USD	$1,242
CNY	$7,385	CNY	$(9,807)
Other	$(572)	Other	$70

(10)Capital management

The primary objective of the Group'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 Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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$100 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.

J.InterGroup relationships and significant interGroup transactions for the year ended December 31, 2020: Please refer to attachment 8.

(2)Information on investees

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

B.Investees over which the Group 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.

(1) 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 Commission, 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 and 6)	100%	$5,182 (Note 3, 6 and 8)	$106,186 (Note 3, 6 and 8)	$-	$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, 7 and 8)	$93,284 (Note 3, 6, 7 and 8)	$-	$-	$-	

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: Transactions between consolidated entities are eliminated in the consolidated financial statements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B.Significant transactions with investees in China:

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

b.Sale and balance of related accounts receivable as of December 31, 2020:

	Sales		Account Receivable	
	Amont	Percentage of the net sales	Amont	Percentage of the Account Receivable
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.Property transaction amounts and resulting gain or loss: 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.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4)Information on major shareholders

Major shareholders \ Shares	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.OPERATING SEGMENT

The major operating revenues of the Group come from selling contact lenses. The chief operating decision maker reviewed the overall operating results to make decision about resources to be allocated to and evaluated the overall performance.

A.Geographical information

Revenues from external customers (Note)

	For the year ended December 31,	
	2020	2019
Taiwan	$662,660	$771,905
Other Asian countries	3,060,733	2,179,670
Other countries	255,020	403,558
Total	$3,978,413	$3,355,133

Note: The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31,	
	2020	2019
Taiwan	$3,421,328	$3,227,681
China	15,360	21,275
Japan	635	1,499
U.S.A	1,218	-
Total	$3,438,541	$3,250,455

B.Information about major customers

Individual customer's sale accounted for at least 10% of consolidated net sale:

	For the year ended December 31,	
Name of customers	2020	2019
Customer A	$435,637	$443,976

Pegavision Corporation and Subsidiaries

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 and Subsidiaries

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	As of December 31, 2020			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
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 and Subsidiaries

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	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 and Subsidiaries

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)

			Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
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	42.24%	Note
									contract liability $(15,316)	38.64%	Note
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%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Pegavision Corporation and Subsidiaries

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)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue Amount	Overdue Action Taken	Amount Received in Subsequent Periods	Loss allowance
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	$354,934 (Note and Note 1)	6.36	$-	-	$179,695	$-
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	$219,266 (Note and Note 1)	4.04	$-	-	$-	$-

Note: Accounts receivable.

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

Pegavision Corporation and Subsidiaries

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	- (Note1)	USD 3,630	- shares	-% (Note1)	$- (Note1)	$10,150	$10,150	Note
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	JPY9,900	JPY9,900	198 shares	100.00%	$45,842	$19,805	$19,805	Note
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)	Note
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

Note: Transactions are eliminated when preparing the consolidated financial statements.

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

Pegavision Corporation and Subsidiaries

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%	Note
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%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Pegavision Corporation and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2020

Attachment 8

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	2020.01.01~2020.12.31						
0	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	$1,596,570	90 days after monthly closing	40.13%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	354,934	90 days after monthly closing	5.53%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Contract liabilities	15,316	-	0.24%
0	Pegavision Corporation	Pegavision Contact Lenses (Shanghai) Corporation	1	Sales revenue	8,661	Within 180 days after monthly closing	0.22%
0	Pegavision Corporation	Pegavision Contact Lenses (Shanghai) Corporation	1	Accounts receivable	6,016	Within 180 days after monthly closing	0.09%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Sales revenue	547,066	Within 180 days after monthly closing	13.75%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	219,266	Within 180 days after monthly closing	3.42%
0	Pegavision Corporation	Aquamax Corporation	1	Sales revenue	1,732	Within 180 days after monthly closing	0.04%
0	Pegavision Corporation	Aquamax Corporation	1	Other operating income	27	-	-
0	Pegavision Corporation	Aquamax Corporation	1	Accounts receivable	1,847	Within 180 days after monthly closing	0.03%
0	Pegavision Corporation	Aquamax Corporation	1	deposits received	4	-	-
0	Pegavision Corporation	Aquamax Corporation	1	Rent revenue	24	10th in each month	-
0	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	1	Sales revenue	7,904	Within 180 days after monthly closing	0.20%
0	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	2,315	Within 180 days after monthly closing	0.04%
0	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	1	Other operating income	16,454	-	0.41%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4: Amounts in foregin currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Ticker: 6491

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.

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

<u>Notice to Readers</u>

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	
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Total Equity
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

Code	Items	2020	2019
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.

<u>Financial asset measured at fair value through profit or loss</u>

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

		Past due				
	Not past due	<=60 days	61-90 days	91-240 days	>=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	For the year ended December 31, 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)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
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
Client B	54,421	in others does not exceed 5% of the account balance.
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	2. Non related parties.
Vendor F	17,848	
Vendor G	14,366	
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	

Pegavision Corporation
A Leading Soft Contact Lens Company

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