PEGAVISION

2021

2021 PEGAVISION Annual Report

TSE：6491

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.

PEGAVISION SPOKESPERSON
Name: Tony Wang
Title: Director of Finance & Accounting Division
Tel.: 886(3) 329-8808
E-mail: ir@pegavision.com

DEPUTY SPOKESPERSON
Name: Danny Lee
Title: Director of Management Division
Tel.: 886(3) 329-8808
E-mail: ir@pegavision.com

CORPORATE HEADQUARTERS
Address: 2F.-1, No. 5, Shing Yeh St., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)
Tel.: 886(3) 329-8808

MANUFACTURING SITE
Address: 2F.-1& 5F.-1, No. 5, Shing Yeh St., Guishan Dist., Taoyuan City, Taiwan (R.O.C.) Daxi Site
Address: No. 255, Sec. 2, Renhe Rd., Daxi Dist., Taoyuan City, Taiwan (R.O.C.)
Tel.: 886(3) 329-8808

COMMON SHARE TRANSFER AGENT AND REGISTRAR
Name: Registrar & Transfer Agency Department of KGI Securities Co. LTD.
Address: 5F, No. 2, Sec. 1, Chung-Ching South Road, Taipei City, Taiwan (R.O.C.)
Tel.: 886(2) 2389-2999
Website: https://www.kgieworld.com.tw

AUDITORS
CPA Firm: Ernst & Young Taiwan
Name of CPA: Wells Cheng and Eric Kuo
Address: 9F, 333 Keelung Rd., Sec. 1, Xinyi District, Taipei City, Taiwan (R.O.C.)
Tel.: 886(2) 2757-8888
E-mail: http://www.ey.com

OVERSEAS SECURITIES EXCHANGE: None.

CORPORATE WEBSITE
http://www.pegavision.com

Letter to Shareholders

Dear Shareholders,

In 2021, the global economy began making a comeback against COVID-19. Unlike the general recession reported a year ago, the World Bank now estimates the growth rate of the global economy at be 5.9% for 2021. CooperCompanies[1] estimates total revenues of soft contact lens manufacturers worldwide in 2021 at US$9.4 billion, up 14% from US$8.2 billion in 2020. Thus, our industry growth rate surpasses the growth of the global economy. As for Pegavision, after our strong performance amid the challenges of 2020, we are pleased to once again report record-high revenue and profits for 2021. Below, we will outline our business performance in 2021 and our plans for 2022.

Our consolidated revenues stood at NT$5.595 billion in 2021, up NT$1.617 billion or 40.64% from the NT$3.978 in 2020. Our gross profit margin grew by 2.6 percentage points from 50.4% to 53%, while net income attributable to parent company shareholders increased by NT$533.21 million or 74.54% from NT$715.36 million in 2020 to NT$1.249 billion in 2021. This means that the earnings per share increased by NT$7.62 from NT$10.22 in 2020 to NT$17.84 in 2021. This increase of consolidated revenues in 2021 was largely due to the growth of OEM services in Mainland China and Japan. Also, improved capacity utilization and production line expansions gave us economies of scale, which shows in greatly improved gross profit margin and net income.

Technological Developments

Pegavision committed NT$546.64 million of its R&D expenses in 2021 to support new product development and to improve production technology. This represented a 46% increase from NT$374.46 million in 2020. We acquired 77 new patents and had permits approved on 48 products in 2021. These include:

- Patents for 36 graphical patterns;
- The first 510(k) medical instrument premarket notification in the U.S. for vitamin-infused toric and multifocal soft lens solutions;
- PMDA certification in Japan for toric, multifocal, cosmetic toric, and cosmetic multifocal daily disposable soft contact lenses (the solution contains menthol).

Corporate Sustainability

Pegavision ranked in the 6%-20% tier among TWSE and TPEx listed companies during the 7th Corporate Governance Evaluation. In addition, we were selected by Taiwan Index Plus Corporation as a constituent company of the "TWSE Corporate Governance 100 Index." Lastly, we also completed our first ISO 14064-1:2018 greenhouse gas verification during the year, and incorporated climate risk into operating strategies for enhanced sustainability and resilience.

Summary of Current Business Plan

Our mission remains "Expanding Consumers' Vision". To this end, we will continue to invest in the development of automated equipment in the coming year to improve our production efficiency, product quality, production flexibility, and delivery times. With respect to the product portfolio, Pegavision will continue introducing high-end optical products and acquiring permits throughout the world to serve brand owners better. We currently hold permits in the 27 EU countries, 4 East Asian countries, as well as the USA, UK, India, Malaysia, Vietnam, Thailand, Australia, and Singapore.

Taking a closer look at the main markets, growth in the Chinese market has shown signs of slowdown since the 4th quarter of 2021, but is still estimated to expand by 20%-30% in 2022. Our high production efficiency and flexibility will help capture this growth. Meanwhile, demand in Japan is steadily recovering, and we expect to grow businesses further in the coming year by strengthening customer attachment through strategies such as joint product development and local distribution support.

---

[1] Investor Presentation, January 10, 2022

Future prospect

Although growth of the global economy has recovered thanks to vaccination programs and fiscal incentives from governments around the world, the world's economy growth rate for the current year is estimated to be 1.5% less than 2021 due to spread of new virus variants, supply shortage, and inflation, and the world economy may even slow down further in 2023.

After reporting a 5%-10% rebound in revenue in the first quarter of 2021, growth of the world's soft contact lens industry has returned to the pre-pandemic levels since the second quarter. Currently, global demand for contact lenses is 2%-3% higher than the pre-pandemic levels. This consistent demand and increasing users of daily disposable and silicone hydrogel products are favorable to the industry's growth. Looking at the long term, macroeconomic factors that drive our industry's growth should remain strong, especially when over the next 30 years half of the world's population is expected to have myopia, up from one-third today. This will enable our industry to sustain annual growth of 4%-6%.

Contact lens is a capital-intensive industry characterized by high technological barrier of entry, long product certification times, and strict regulations. As a professional manufacturer of soft contact lenses, we therefore invest much attention and ample resources in production technology as well as product R&D, pattern design, certification, distribution, and branding in order to offer our clients the best products and the most complete services. We are also taking steps to reduce dependency on a single area or market in order to mitigate potential adverse impacts from certain policies or regulatory changes on our business and results.

Overall, we are confident of maintaining Pegavision's revenue growth above the industry levels. On behalf of employees at Pegavision, we thank you for your continued trust and support. We will persistently create value for shareholders through sound corporate governance and sustainable practices.

Peter Kuo
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).
- Mar 2021 Obtained UKCA registration for daily disposable soft contact lenses with 58% water content.
- Apr 2021 Obtained registration in India for monthly disposable cosmetic soft contact lenses with 38% water content.
- June 2021 Obtained PMDA certification in Japan for toric, multifocal, cosmetic toric, and cosmetic multifocal daily disposable

soft contact lenses (the solution contains menthol).
Obtained PFDA certification in The Philippines for daily disposable cosmetic soft contact lenses with 58% water content.

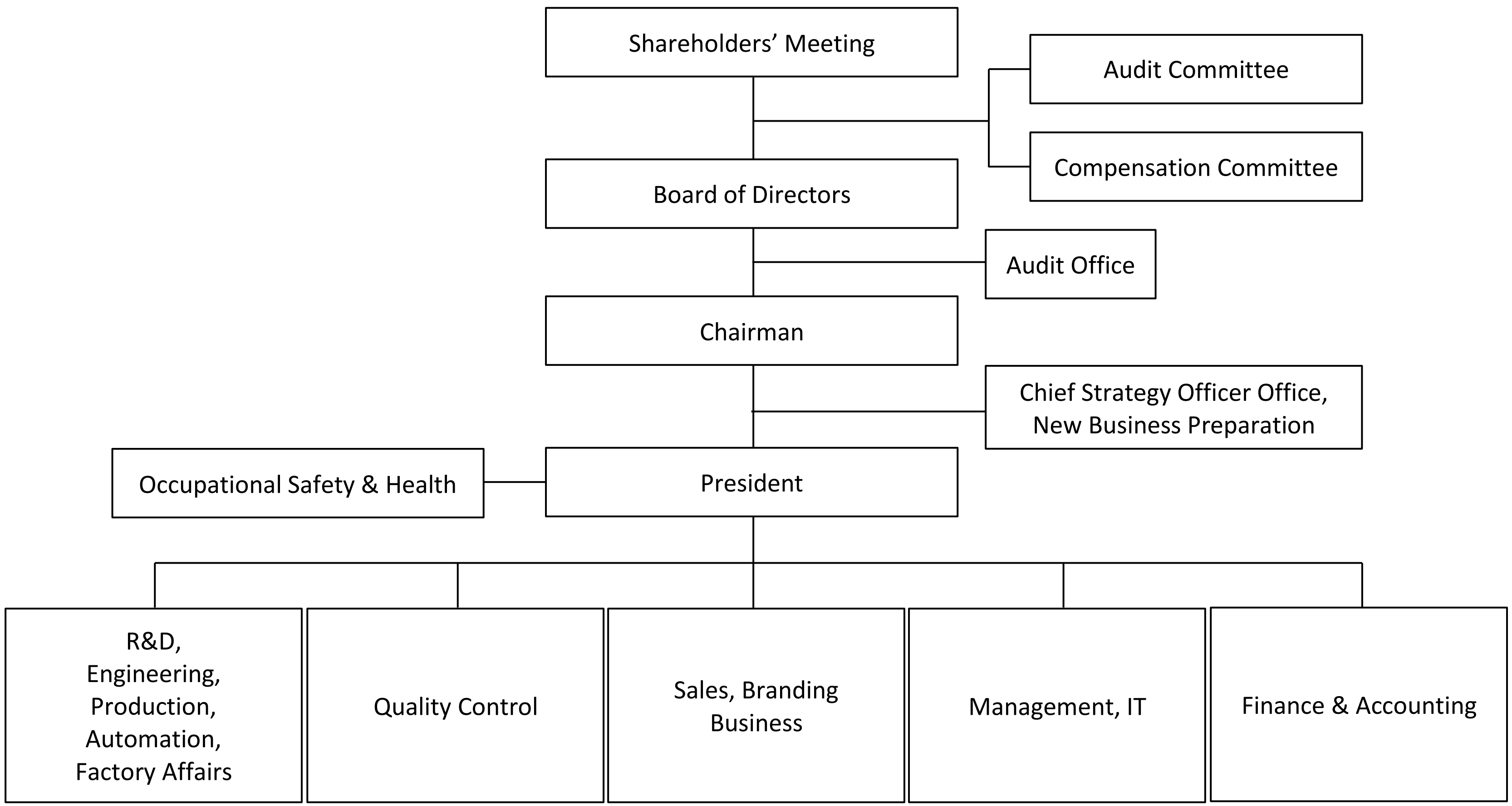
- Nov 2021 Obtained TGA certification in Australia for monthly disposable cosmetic lenses with 38% water content.
- Dec 2021 Obtained the first 510(k) medical instrument premarket notification in the U.S. for vitamin-infused toric and multifocal soft lens solutions.
  Guishan Plant and Daxi Plant obtained ISO14064-1:2018 Greenhouse Gas Verification Statement.

Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart

As of 03/26/2022



3.1.2 Department Functions

New Business Preparation

•Plan and promote the investment business.

Audit Office

•Inspection and review of the Company’s internal control system, its adequacy in design and effectiveness in operation, with independent risk assessment to ensure compliance with the Company’s policies and procedures as well as with external regulation.

Occupational Safety & Health

•Planning, implementation and supervision of occupational safety and health management practices.

•Planning and supervision of safety and health training and occupational hazard prevention programs

R&D

•New product development.

•Studying relevant rules and regulations of medical devices.

•Application of sales permits for products in various countries.

Engineering

•Development and improvement of production technology.

Production

•Manufacturing and warehousing.

Automation

•Development, design and improvement of machinery, equipment and software

Factory Affairs

•Management and maintenance of the building and the public facilities in the factories.

Quality Control

•Inspection of raw materials, semi-finished goods and finished goods, as well as execution of product/procedure quality control.

•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

•Corporate legal affairs including contracts review, patents and management of other intellectual properties, and litigation

•General administration including human resources, procurement, and general affairs.

IT

•Planning, establishing and managing the Company's information management system.

•Cyber security.

Finance & Accounting

•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

•Development of OEM business worldwide and customer services.

Branding

•Plan, design and manage brands and products of the Company.

3.2 Board Members and Management Team

3.2.1 Board Members

Information Regarding Board Members

As of 03/26/2022

Title/Name	Natio-nality	Gender/ Age	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/ Peter Kuo	R.O.C	Male, 71~80	7/15/2021	3	8/12/2009	1,928,868	2.76	1,928,868	2.76	246,249	0.33	•Electrical Engineering, National Taipei University of Technology •Chairman & Chief Executive Officer of Kinsus Interconnect Technology Corp. •President of Unicap Electronics	Note 1
Director / T.H. Tung	R.O.C	Male, 61~70	7/15/2021	3	8/12/2009	645,729	0.92	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 2
Director/ Kinsus Investment Co., Ltd.	R.O.C	-	7/15/2021	3	8/12/2009	21,233,736	30.33	21,233,736	30.33	-	-	-	-
Director/ Rep. : TS Yang	R.O.C	Male, 51~60			6/14/2018	302,437	0.43	302,437	0.43	150,000	0.21	•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	-	7/15/2021	3	8/12/2009	21,233,736	30.33	21,233,736	30.33	-	-	-	-
Rep. : Scott Chen	R.O.C	Male, 51~60			6/14/2018	208,292	0.30	208,292	0.30	-	-	•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	-	7/15/2021	3	8/12/2009	5,480,121	7.83	5,480,121	7.83	-	-	-	-
Rep. : Jeffrey Wun	R.O.C	Male, 61~70			6/14/2018	-	-	-	-	-	-	•Master's degree in Mechanical Engineering, National Tsing Hua University •Vice President of UMAX Computer Corporation	Note 5
Director/ Asuspower Investment Co., Ltd.	R.O.C	-	7/15/2021	3	8/12/2009	5,480,121	7.83	5,480,121	7.83	-	-	-	-
Rep. :	R.O.C	Male,			6/16/2015	-	-	-	-	-	-	•Medicine, Taipei Medical University	Note 6

Title/Name	Natio-nality	Gender/ Age	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	%		
Wen-Yung Ho		51~60										•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	
Independent Director/ Eric Yao	R.O.C	Male, 71~80	7/15/2021	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/ Shu-Yu Lee	R.O.C	Female, 51~60	7/15/2021	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 8
Independent Director/ Andrew T. Huang (Note 9)	U.S.	Male, 81~90	6/14/2018	3	6/16/2015	-	-	-	-	-	-	•Medicine, National Taiwan University •Chairman of National Committee on Quality of Health Care, Department of Health •President of Taiwan Oncology Society •Member and Chairman of Advisory Committee on Research Grants (Section on Cancer Prevention, Detection & Treatment), American Cancer Society	Note 10
Independent Director/ Chi-Wan Lai	R.O.C	Male, 71~80	7/15/2021	3	7/15/2021	-	-	-	-	-	-	•Medicine, National Taiwan University •Chairman/Chief executive officer of Taiwan Medical Accreditation Council •Executive Secretary/Standing Committee Member and Convener of Medical Education Committee of the Ministry Education R.O.C. •Vice president of Tzu Chi University and Dean of Tzu Chi University College of Medicine •Professor of Neurology, University of Kansas School of Medicine	Note 11

Note 1: Chairman of Mayin Investment Co., Ltd.
Vice chairman of FacialBeau International Corporation and BeautyTech Platform Corporation.
Director of Kinsus Interconnect Technology Corp., Kinsus Corp. (USA), and Kinsus Investment Co., Ltd.
Chief Strategy Officer of Pegavision Corporation.

Note 2: 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, Fisfisa Media Co., Ltd., FacialBeau International Corporation, BeautyTech Platform Corporation and Chinese Culture and Creative Industries Association.
Director of Asrock Incorporation, AzureWave Technologies, Kinsus Interconnect Technology Corp., 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, Cloud Gate Culture and Arts Foundation and Q Place Creative Inc.
Independent Director: Pchome Online Inc.
Vice Chairman of Monte Jode Science & Technology Association.
Council member of Taipei Computer Association.

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

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

Note 5: President & Director of Lumens Digital Optics Inc.; Independent Director and Compensation Committee Member of Avision Inc.
Note 6: Director of Andrew T. Huang Medical Education Promotion Fund, GFC Foundation, Fullfoods Foundation, and 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: Regional COO of FULAGAI Capital Co., Ltd., Director of BASO Precision Optics, Ltd.
Note 9: The Company elected a new Board of Directors on July 15, 2021 as the term expired. Andrew T. Huang did not renew his directorship.
Note 10: 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; Co-Chair of The Duke Colloquium; Chairman of Taiwan Medical College Accreditation Council.
Note 11: Chair Professor of Andrew T. Huang Medical Education Promotion Fund and Attending Physician of Division of Neurology, Koo Foundation Sun Yat-San Cancer Center.

Major Shareholders of the Institutional Shareholders

As of 3/26/2022

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 7/6/2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Pegatron Corporation	Asustek Computer Inc. (Representative: Jonney Shih)	16.80
	T.H.Tung	3.54
	Jonney Shih	2.51
	Ted Hsu	2.11
	Silchester International Investors International Value Equity Trust	2.04
	Fubon Life Insurance Co., Ltd	2.02
	CTBC Bank in Custody for Pegatron Corporation	1.93
	Morgan Stanley & Co. International Plc	1.67
	Cathay United Bank in Custody for Expert Union Limited Investment account	1.44
	Government of Singapore	1.43

As of 03/30/2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Kinsus Interconnect Technology Corp.	Asus Investment Co., Ltd.(Representative: T.H. Tung)	13.34
	Asustek Co., Ltd.(Representative: T.H. Tung)	12.92
	Asuspower Investment Co., Ltd.(Representative: T.H. Tung)	12.32
	New Labor Pension Fund	7.49
	CTBC Bank (Taiwan) in Custody for Morgan Stanley & Co. International Plc	3.22
	Old Labor Pension Fund	3.20
	Nan Shan Life Insurance Company Ltd.(Representative: Tang Chen)	2.18
	Public Service Pension Fund Management Board	1.17
	HSBC Bank in Custody for Arrowstreet Capital Global All Country Alpha Extention (Cayman)	0.87
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Stock Index Fund	0.87

Professional Qualifications of Directors and the Independence of Independent Directors

Criteria / Name	Professional Qualifications and Experience	Independence Status	Number of other public companies concurrently serving as an independent director
Peter Kuo	• Work experiences in the area of commerce, biotechnology and medicine. • Present Chairman and Chief Strategy Officer of the Company • Former Chairman and CEO of Kinsus Interconnect Technology Corp., and former President of Unicap Electronics, etc. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.	Not applicable	0
T.H. Tung	• Work experiences in the area of commerce, biotechnology and medicine. • Present Chairman and CEO of Pegatron Corporation • Former Chairman of the Company, and former Vice Chairman of Asustek Computer Inc. ("Asus"), etc • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.		1
Kinsus Investment Co., Ltd. Rep.: TS Yang	• Work experiences in the area of commerce, biotechnology and medicine. • Present President of the Company. • Former Senior Vice President of Kinsus Interconnect Technology Corp., etc. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.		0
Kinsus Investment Co., Ltd. Rep.: Scott Chen	• Work experiences in the area of commerce. • Present CEO of Kinsus Interconnect Technology Corp. • Former President of Kinsus Interconnect Technology Corp. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.		0
Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun	• Work experiences in the area of commerce. • Present President & Director of Lumens Digital Optics Inc. • Former Vice President of UMAX Computer Corporation. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.		1
Asuspower Investment Co., Ltd. Rep.: Wen-Yung Ho	• Work experiences in the area of commerce, biotechnology and medicine. • Present Director of Andrew T. Huang Medical Education Promotion Fund. • Former Associate Professor of Taipei Medical University and Attending Physician of National Taiwan University Hospital. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.		0
Eric Yao	• Work experiences in the area of commerce. • Present person-in-charge of dX Creative House and dX Media. • Former Professor of Department of Architecture, TungHai University. • Former Chair Professor of Taipei National University of the Arts. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.	Meets the requirements of independence (Note)	1

Criteria / Name	Professional Qualifications and Experience	Independence Status	Number of other public companies concurrently serving as an independent director
Shu-Yu Lee	• Audit committee member with extensive background in accounting or finance. • Work experience in the area of commerce, and is a certified public accountant. • Present Regional COO of FULAGAI Capital Co., Ltd. • Former Senior Vice President of Friendly Securities Co., Ltd., Sales Vice President of Mega Securities Co., Ltd., and Sales Vice President of Fubon Securities Co. Ltd. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.	Meets the requirements of independence (Note)	0
Chi-Wan Lai	• Work experiences in the area of commerce, biotechnology and medicine. • Present Chair Professor of Andrew T. Huang Medical Education Promotion Fund and Attending Physician of Division of Neurology, Koo Foundation Sun Yat-San Cancer Center. • Former Vice president of Tzu Chi University, Dean of Tzu Chi University College of Medicine and Chairman/Chief executive officer of Taiwan Medical Accreditation Council. • There are no circumstances specified in any subparagraph of Article 30 of the Company Act.	Meets the requirements of independence (Note)	0

Note:This includes, but is not limited to, (1) neither the person, their spouse, or their relatives within the second degree of kinship is a director, supervisor, or employee of the Company or the affiliates of the Company; (2) the person, their spouse, or their relatives within the second degree of kinship (or using the name of another person) does not hold shares in the Company; (3) not being a director, supervisor or employee of a company with a specific relationship with the Company (as stipulated in Article 3, Paragraph 1, Paragraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); (4) no remuneration received in the last two years for providing business, legal, financial, or accounting services to the Company or the Company's affiliates.

Diversity and Independence of the Board

1. Board Diversity: The Company's "Corporate Governance Best-Practice Principles" stipulates diversity in the composition of the Board of Directors, including but not limited to basic qualifications and values (gender, age, nationality and culture),and diversity of professional knowledge and skills.The Company has set a diversity goal of having at least one female director and at least one director with a medical background, both goals have been accomplished.The "Procedures for Election of Directors" states that the overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. Each board member shall have the necessary knowledge, skill, and experience to perform their duties.
   - The nine members of the Company's 5th term of the Board (including three independent directors) as a whole have the ability to make judgments about operations, accounting and financial analysis ability, business management ability, crisis management ability, knowledge of the industry, international market perspective, leadership ability and decision-making ability.The Board is comprised of a diverse group of professionals from different industries. These professionals include Peter Kuo, Chairman of the board, who has a background in electrical engineering; T. H. Tung, who has experience in the computer and communication industries; TS Yang, who specializes in business administration; Jeffrey Wun, who has a background in mechanics; Scott Chen, who has a background in physics; Eric Yao, who has a background in architecture; Wen-Yung Ho and Chi-Wan Lai, who are medical professionals; and Shu-Yu Lee, who is an accountant and financial professional.
   - The average term of the directors of the Company is six years; all independent directors shall serve no more than three consecutive terms. All directors are citizens of Taiwan; there are three independent directors (representing 33% of the total number of directors) and two directors who are employed by the Company (representing 22% of the total number of directors).The age range of the board directors: four directors are between 51–60 years old; two directors are between 61–70 years old; and three directors are between 71–80 years old. In addition, there is one female board member in this term.
2. Independence of the Board of Directors: Currently, the Board of Directors of the Company consists of three independent directors, representing one-third of the total number of directors. As required by the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," the Company has obtained written statements and other

supporting documents from all independent directors, confirming that they and their relatives listed in the Regulations maintain the independence from the Company.The Board of Directors of the Company satisfies the requirements stipulated in Article 26-3, Paragraph 3 of the Securities and Exchange Act. All directors are neither spouses nor relatives within the second degree of kinship, so the Company believes that the Board of Directors of the Company meets the requirements of independence.

3.2.2 Management Team

As of 03/26/2022

Title / Name	Nationality	Gender	On-board Date	Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Selected Current Positions at Pegavision and Other Companies
				Shares	%	Shares	%		
Chief Strategy Officer/ Peter Kuo	R.O.C.	Male	7/15/2021	1,928,868	2.76	234,249	0.33	Electrical Engineering, National Taipei University of Technology Chairman & Chief Executive Officer, Kinsus Interconnect Technology Corp. President, Unicap Electronics	Note 1
President/ TS Yang	R.O.C.	Male	1/1/2017	302,437	0.43	150,000	0.21	Master of Business Administration, National Chengchi University Senior Vice President, Kinsus Interconnect Technology Corp. President, Piotek Computer (Suzhou) Co., Ltd President, Flexium Interconnect Inc.	Supervisor of Fuyang Technology Corp.
Vice President/ Terry Chang	R.O.C.	Male	8/3/2009	136,343	0.19	-	-	Master of Chemistry, National Yunlin University of Science and Technology Manager, Prodisc Technology Inc.	-
Senior Manager/ Gary Lee	R.O.C.	Male	4/11/2017	1,000	0.00	-	-	Master of Radiation Biology, National Tsing Hua University Manager, Lingsen Precision Industries Ltd.	-
Director/ Danny Lee	R.O.C.	Male	10/12/2017	-	-	-	-	Master of Industrial Engineering, National Chiao Tung University Assistant Vice President, KINSUS Interconnect Technology Corp. Manager, Unicap Electronics	Note 2
Director/ Tony Wang	R.O.C.	Male	12/27/2013	170,669	0.24	-	-	Master of Finance, National Taiwan University of Science and Technology Senior Manager, Pegatron Corporation	Note 3
Director/ Gwendolyn Kao	R.O.C.	Female	2/18/2013	50,000	0.07	-	-	MBA, Peter Drucker School of Management Manager, United Renewable Energy CO., Ltd.	Note 4
Section Manager/ Evelyn Lu	R.O.C.	Female	5/5/2014	-	-	-	-	Department of Banking and Finance, Kainan University Auditor, Global Lighting Technologies Inc.	-

Note 1: Chairman of Mayin Investment Co., Ltd., Vice chairman of FacialBeau International Corporation and BeautyTech Platform Corporation, Director of Kinsus Interconnect Technology Corp., Kinsus Corp. (USA), and Kinsus Investment Co., Ltd.

Note 2: Supervisor of Gemvision Technology (Zhejiang) Limited, Pegavision (Jiangsu) Limited, FacialBeau International Corporation, BeautyTech Platform (Shanghai) Corporation and Pegavision (Jiangsu) Limited.

Note 3: Director of Pegavision Contact Lenses (Shanghai) Corporation, Gemvision Technology (Zhejiang) Limited, Pegavision (Jiangsu) Limited, and BeautyTech Platform (Shanghai) Corporation.

Note 4: Director of Pegavision Japan Inc. and Aquamax Vision Corporation.

3.2.3 Remuneration Paid to Directors, President, and Vice President

Director's Remuneration

Unit: NT$thousand

Title / Name	Director's Remuneration of 2021								Total Remuneration (A+B+C+D) and 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/ Peter Kuo	800	800	-	-	16,179	16,179	-	-	16,979, 1.36%	16,979, 1.36%
Director/ T.H. Tung										
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										
Independent Director/ Eric Yao	2,400	2,400	-	-	-	-	-	-	2,400, 0.19%	2400, 0.19%
Independent Director/ Shu-Yu Lee										
Independent Director/ Andrew T. Huang(Note)										
Independent Director/ Chi-Wan Lai(Note)										

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) and 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/ Peter Kuo	7,157	7,157	-	-	14,916	14,916	39,052, 3.13%	39,052, 3.13%	113,397
Director/ T.H. Tung									
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									
Independent Director/ Eric Yao	-	-	-	-	-	-	2,400, 0.19%	2,400, 0.19%	-
Independent Director/ Shu-Yu Lee									
Independent Director/ Andrew T. Huang(Note)									
Independent Director/ Chi-Wan Lai(Note)									

Note: The Company elected a new Board of Directors on July 15, 2021. Andrew T. Huang's tenure expired because he was not re-elected. Chi-Wan Lai was newly elected.

- 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, Chi-Wan Lai	TS Yang, Scott Chen, Jeffrey Wun, Wen-Yung Ho, Andrew T. Huang, Eric Yao, Shu-Yu Lee, Chi-Wan Lai	Scott Chen, Jeffrey Wun, Wen-Yung Ho, Andrew T. Huang, Eric Yao, Shu-Yu Lee, Chi-Wan Lai	Jeffrey Wun, Wen-Yung Ho, Andrew T. Huang, Eric Yao, Shu-Yu Lee, Chi-Wan Lai
NT$1,000,000 ~ NT$1,999,999				
NT$2,000,000 ~ NT$3,499,999	Asuspower Investment Co., Ltd.	Asuspower Investment Co., Ltd.	Asuspower Investment Co., Ltd.	
NT$3,500,000 ~ NT$4,999,999	T.H. Tung, Peter Kuo	T.H. Tung, Peter Kuo	T.H. Tung	
NT$5,000,000 ~ NT$9,999,999	Kinsus Investment Co., Ltd.	Kinsus Investment Co., Ltd.	Kinsus Investment Co., Ltd.	Kinsus Investment Co., Ltd., Asuspower Investment Co., Ltd.
NT$10,000,000 ~ NT$14,999,999			Peter Kuo, TS Yang	
NT$15,000,000 ~ NT$29,999,999				TS Yang, Scott Chen
NT$30,000,000 ~ NT$49,999,999				Peter Kuo
NT$50,000,000 ~ NT$99,999,999				T.H. Tung
Over NT$100,000,000				
Total	12	12	12	12

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
Chief Strategy Officer/ Peter Kuo President/ TS Yang Vice President/ Terry Chang	8,208	8,208	-	-	2,044	2,044	19,141	19,141	29,393, 2.35%	29,393, 2.35%

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	Peter Kuo、Terry Chang	Peter Kuo、Terry Chang
NT$10,000,000 ~ NT$14,999,999	TS Yang	TS Yang
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	3	3

Names of managers who received employee remuneration

Unit: NT$thousand

Title/Name	Stock	Cash	Total	Ratio of Total Amount to Net Income After Tax (%)
Chief Strategy Officer/ Peter Kuo President/TS Yang Vice President/Terry Chang Director of Finance & Accounting Division/Tony Wang	-	21,801	21,801	1.75

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	2020 Ratio of Total Remuneration to Net Income After Tax (%)		2021 Ratio of Total Remuneration to Net Income After Tax (%)	
	From Pegavision	From All consolidated entities	From Pegavision	From all consolidated entities
Director	2.92	2.92	3.32	3.32
President and Vice President	1.87	1.87	2.35	2.35

The remuneration of the directors shall not exceed 1% of the annual profit of the Company, as stipulated in the Company's Articles of Incorporation, and shall take into account the results of the performance evaluation of the board directors, including 20 evaluation indicators in six aspects, such as alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. In addition, reasonable remuneration shall be distributed with reference to the industry levels both domestically and internationally, and shall be resolved by the Board of Directors. The manager's compensation consists of salary, bonus and employee compensation. Salary is determined based on the position, responsibilities and contribution to the Company, and takes into account the general pay levels in the industry. The bonus and employee compensation are based on the evaluation of the manager's performance, including the achievement rate of the objectives and the score of the management and professional competencies. The compensation percentage is calculated based on the evaluation results and is paid after being resolved by the Compensation Committee and the Board of Directors. The procedures for determining the remuneration shall be in accordance with the Company's Articles of Incorporation and the authorization of the Company. The Company pays remuneration to directors or managers taking into account the future operational risks and its positive correlation with operational performance in order to find a balance between sustainable operation and risk control.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors Meeting Status

A total of 7 (A) meetings of the Board of Directors were held in 2021. The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person	Notes	
Chairman	T.H. Tung	3	0	100%	Term expired	There were 3 meetings held before the re-election on July 15, 2021
Director	Peter Kuo	3	0	100%	Term expired	
Director	Kinsus Investment Co., Ltd. Rep.: TS Yang	3	0	100%	Term expired	
Director	Kinsus Investment Co., Ltd. Rep.: Scott Chen	3	0	100%	Term expired	
Director	Asuspower Investment Co., Ltd. Rep.: Wen-Yung Ho	3	0	100%	Term expired	
Director	Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun	3	0	100%	Term expired	
Independent Director	Andrew T. Huang	2	1	67%	Term expired	
Independent Director	Eric Yao	2	1	67%	Term expired	
Independent Director	Shu-Yu Lee	3	0	100%	Term expired	
Chairman	Peter Kuo	4	0	100%	New office assumed	There were 4 meetings held after the re-election on July 15, 2021
Director	T.H. Tung	4	0	100%	New office assumed	
Director	Kinsus Investment Co., Ltd. Rep.: TS Yang	4	0	100%	Renewal of office	
Director	Kinsus Investment Co., Ltd. Rep.: Scott Chen	4	0	100%	Renewal of office	
Director	Asuspower Investment Co., Ltd. Rep.: Wen-Yung Ho	4	0	100%	Renewal of office	
Director	Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun	3	1	75%	Renewal of office	
Independent Director	Eric Yao	3	1	75%	Renewal of office	
Independent Director	Shu-Yu Lee	4	0	100%	Renewal of office	
Independent Director	Chi-Wan Lai	4	0	100%	New office assumed	

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 22).

   (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
2021 5th meeting 2021/7/26	• 2021 salary adjustment for the Company's managers. • Distribution of 2020 bonus for the Company's managers.	The two motions concerned the self-interests of Chairman Peter Kuo, Director TS Yang, Vice President Terry Chang, and CFO Tony Wang. They had recused themselves from the discussion and voting. The motions were passed unanimously by all remaining directors.
	• Remuneration of the Chief Strategy	The motion concerned the self-interests of Chairman

	Officer of the Company.	Peter Kuo. He had recused himself from the discussion and voting. The motion was passed unanimously by all remaining directors.
2021 7th meeting 2021/12/27	• Distribution of 2021 "year-end bonus" to the Company's managers.	The motion concerned the self-interests of Chairman Peter Kuo, Director TS Yang, Vice President Terry Chang, and CFO Tony Wang. They had recused themselves from the discussion and voting. 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, 2021 to December 31, 2021	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 2021. The independent directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person	Notes	
Independent Director	Andrew T. Huang	1	1	50%	Term expired	There were 2 meetings held before the re-election on July 15, 2021
Independent Director	Eric Yao	1	1	50%	Term expired	
Independent Director	Shu-Yu Lee	2	0	100%	Term expired	
Independent Director	Eric Yao	2	1	67%	Renewal of office	There were 3 meetings held after the re-election on July 15, 2021
Independent Director	Shu-Yu Lee	3	0	100%	Renewal of office	
Independent Director	Chi-Wan Lai	3	0	100%	New office assumed	

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	The opposition, reservation or major proposal of independent directors.	Resolutions
2021 1st meeting 2021/1/29	• 2020 financial statements, consolidated financial statements and business report • 2020 Statement of Internal Control System • Proposed to apply for post-release duty payment guarantee extension from Customs Office	None	Passed unanimously by all attending members
2021 3rd meeting 2021/7/26	• 69KVA UHV power project for Daxi new factory		
2021 5th meeting 2021/12/27	• 2022 internal audit plan • Assessment of independence and appointment of Certified Public Accountants for 2022 • Amendments to "Risk Management Policies and Procedures" and "Regulations for Prevention of Insider Trading.		

   (2) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

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, internal auditors and independent auditors

   (1) The internal auditor and the independent auditors could usually contact independent directors directly if necessary.

   (2) The independent auditors reported the financial report review or audit to the independent directors in the Audit Committee quarterly.

   (3) In addition to receiving the audit report from internal auditor on a monthly basis, the independent directors shall, at least once a year, meet with the independent auditors and the internal auditors without the general directors and management present in a solo meeting to discuss the implementation of the audit and the audit reports. Solo communication meeting between independent directors, independent auditor and internal auditor in 2021:

Meeting Date	Attendee	Communication Item
2021/10/28	• Shu-Yu Lee, Independent Director • Chi-Wan Lai, Independent Director • Wells Cheng, Independent Auditor • Evelyn Lu, Internal Auditor	• 2021 Q3 audit report and significant accounting and audit discussions • 2021 audit plan
2021/12/27	• Eric Yao, Independent Director • Shu-Yu Lee, Independent Director • Chi-Wan Lai, Independent Director • Evelyn Lu, Internal Auditor	• Explanation and audit plan for including the risk assessment in the audit for 2022 • 2022 audit plan

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 2021 apart from the matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting Date	Motion	Resolutions
2021 1st meeting/ 2021.1.29	• Distribution of cash dividends from 2020 earnings.	Passed unanimously by all attending members

3.3.3 Compensation Committee Meeting

Compensation Committee Member's Professional Qualifications and Independent Analysis

<table>
<tr><th>Criteria / Name/Title</th><th>Professional Qualification and Experience</th><th>Independent Directors' Independence Status</th><th>Number of Other Public Companies Concurrently Serving as a Compensation Committee Member</th></tr>
<tr><td>Eric Yao, Independent Director (Chair)</td><td colspan="2" rowspan="3">Please refer to "Professional Qualifications of Directors and the Independence of Independent Directors" on page 13 of this Annual Report.</td><td>1</td></tr>
<tr><td>Shu-Yu Lee, Independent Director</td><td>0</td></tr>
<tr><td>Chi-Wan Lai, Independent Director</td><td>0</td></tr>
</table>

Compensation Committee Meeting Status

Tenure of the session of Compensation Committee is from 15th July, 2021 to 14th July, 2024. A total of 3 meetings of the Compensation Committee were held in 2021. The status of attendance is as follows:

<table>
<tr><th>Title</th><th>Name</th><th>Attendance in Person</th><th>By Proxy</th><th>Attendance Rate in Person</th><th colspan="2">Note</th></tr>
<tr><td>Chair</td><td>Andrew T. Huang</td><td>1</td><td>0</td><td>100%</td><td>Term expired</td><td rowspan="5">The Company's 5th Board of Directors was elected on July 15, 2021.</td></tr>
<tr><td>Member</td><td rowspan="2">Eric Yao</td><td>0</td><td>1</td><td rowspan="2">67%</td><td>Term expired</td></tr>
<tr><td>Chair</td><td>2</td><td>0</td><td>New office assumed</td></tr>
<tr><td>Member</td><td>Shu-Yu Lee</td><td>3</td><td>0</td><td>100%</td><td>Renewal of office</td></tr>
<tr><td>Member</td><td>Chi-Wan Lai</td><td>2</td><td>0</td><td>100%</td><td>New office assumed</td></tr>
</table>

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.

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) Please refer to "Diversity and Independence of the Board" on page 14 of this Annual Report. (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 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;	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>• 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 2021:
<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>2021/4/26</td><td>Taiwan Corporate Governance Association</td><td>Initiating Digital Resilience in the Enterprise – Emergency Response and Recovery from Ransomware</td><td>3</td><td rowspan="3">12</td></tr>
<tr><td>2021/9/1</td><td>Financial Supervisory Commision R.O.C (Taiwan)</td><td>The 13th Taipei Corporate Governance Forum</td><td>3</td></tr>
<tr><td>2021/10/15</td><td>Securities and Futures Institute</td><td>2021 Insider Trading Legal</td><td>3</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>(R.O.C)</td><td>Compliance Seminar</td><td></td><td></td></tr>
<tr><td>2021/10/28</td><td>Taiwan Corporate Governance Association</td><td>Case Studies on Ethical Management, CSR and ESG</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 section 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 "5.2.2 Employee Welfare Measures" on page 54-57 of this Annual Report.
(2) The Company has an investor section 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 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</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			Directors and Supervisors of TWSE Listed and TPEx Listed Companies" in 2021. (5) The Company reported its annual risk management performance to the Board on December 27, 2021 in accordance with the "Risk Management Policy and Procedures (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: The Company was ranked in top 6%–20% in the 7th Corporate Governance Evaluation. The Company has introduced the GHG inventory in 2021 and would evaluate to introduce the TIPS in 2022.

3.3.5 Sustainable Development Implemenetation Status and Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	V		Please refer to "5.4.1 Government Structure" on page 59 of this Annual Report.	None
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		Please refer to "5.4.2 Risk Assessment" on page 59 of this Annual Report.	None
3. Environmental Issues	V			None
(1) Has the Company set an environmental management system designed to industry characteristics?			(1) The Company established the ISO 14001 environmental management system in 2016 and has been running for 3 years. In addition to conducting an internal audit, the Company also obtains certification from a third party. The latest ISO 14001:2015 certification is valid from 2019/10/21 to 2022/10/22; it applies to both Guishan and Daxi factories. Furthermore, both Daxi and Guishan factories have introduced the GHG inventory in 2021 and have obtained the ISO 14064-1:2018 certification from a third party.	
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?			(2) The Company aimed to reduce the environmental impact from our business operations by improving product design, manufacturing processes, and packaging. The electricity consumption per unit in 2021 decreased by 41.7% compared to the base year of 2019 and by 21.6% compared to the previous year, and the target for 2022 is further decreased by 1% compared to the previous year; the total amount of green procurement reached NT$7,596,190, which is 76% higher than the base year, achieving the goal of increasing green procurement; as for the recycled materials, the Company researched and developed the recycling of scraps into production consumables in 2021, actively promoting the resources reuse and circular economy. The Company expects to recycle more than 200,000 kilograms of scraps in 2022.	
(3) Does the Company assess potential risks and opportunities associated with climate change and undertake measures in response to climate issues?			(3) In order to ensure the sound operation and sustainable development of the Company, the Company has established "Risk Management Policies and Procedures" which have been approved by the Board. As for the climate change risk, we have assessed that water and electricity are the indispensable resources for the production process. The water and electricity shortages caused by climate change or the utility costs increase may have a negative impact on the Company's production and operating costs. Therefore, we have continued to promote energy saving projects and monitor energy consumption and energy	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			saving indicators in addition to the introduction of GHG inventory in 2021.The Company also plans to build a rainwater harvesting system, solar panels, and heat pumps in the Daxi factory in order to improve the Company's resilience and competitiveness to cope with climate change in the future.	
(4) Does the Company collect data for greenhouse gas emissions, water usage and total waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?			(4) Please refer to "5.4.3 Environmental Protection" on page 60-61 of this Annual Report.	
4. Social Topics	V			None
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?			(1) The Company has set Human Right Policy 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". The Policy has been disclosed on the Company's official website. For management programs, please refer to "Diversity and Independence of the Board" on page 14 of this Annual Report.	
(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?			(2) In accordance with Article 27(1)(1) of the Company's Articles of Incorporation, when the Company makes a profit in a year, it shall allocate no less than 10% of the annual profit to the employee compensation in order to share the operating results with all our employees. In 2021, the Company recognized a total of NT$186,084 thousand in employee compensation. Please refer to "5.2.2 Employee Welfare Measures" on page 54-57 of this Annual Report for more information on the Company's employee benefits and the implementation status.	
(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 56 of this Annual Report.	
(4) Has the Company established effective career development training plans?			(4) Please refer to "Employees Training and Education"on page 55 of this Annual Report.	
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures?			(5) The Company complies with the Pharmaceutical Affairs Act, ISO 13485:2016, the Medical Devices Act, the Medical Device Advertising Act and the Review Principles, the Personal Data Protection Act, EN ISO 15223-1, other relevant laws and regulations as well as the international standards. The Company has established "Customer Service Control Procedures," "Product Notification and Recall Procedures," "Procedures for Personal Information Protection" and "Procedures for Handling Customer Complaints" to protect the rights and interests for our consumers and customers.	
(6) Does the company set supplier management policy and request suppliers to comply with related standards on the topics of environmental,			(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	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
occupational safety and health or labor right, and their implementation status?			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. As of December 31, 2021, 90 suppliers have signed the CSR clauses with the Company.	
5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquired third party verification or statement of assurance?	V		The Company has voluntarily prepared the 2020 CSR Report in accordance with the core options of the GRI Standards in 2021.The report was verified to conform to the AA1000 Type I Moderate level of assurance by BSI. A third-party verification statement was obtained as well.	None
6. If the Company has established CSR principles in accordance with "Sustainable Development 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 dustainable development: Please refer to the Company's website and CSR reports (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 Corporate Conduct and Ethics Policy and Implementation Measures (1) Deos the Company have an ethical corporate management policy approved by its Board, and stated in its internal regulations and external correspondence about the policies and measures it implements to maintain business integrity, as well as the active commitment of the Board of Directors and management towards enforcement of such policy? (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 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 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 at least once a year. The 2021 operation and implementation status is as follows: • The Company's "Regulations on Prevention of Insider Trading" were amended and proposed to the Board of Directors for resolution on December 27, 2021; • New director has signed the Statement of Compliance with Ethical Corporate Management Policy; • Arrange training courses: i. 11 new officers above the deputy manager level completed a video course on prevention of insider trading. ii. On October 28, 2021, a 3-hour course on "Case Studies on Ethical Management, CSR and ESG" was held for all directors. iii. In November 2021, there were 1,403 employees completed the annual internal training course covering the "Ethical Corporate Management Best Practice Principle," "Procedures for Ethical Management and Guidelines for Conduct," and "Prevention of Insider Trading." iv. The implementation status was reported to the Board of Directors on December 27, 2021.	
(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," "Ethical Conduct Guidelines" and "Measures for Handling Accusation Incidents" to prevent conflict of interest. The Company has announced a whistle-blowing section on the Company's internal and external websites.	
(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 2021, a total of 1,403 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?	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.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner? (3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?			(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 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 2021 and as of the Date of this Annual Report:

Title / Name	On-Board Date	Date of Resignation or Dismissal	Reasons for Resignation or Dismissal
Chairman / T.H. Tung	August 12, 2009	July 15, 2021	Term expired

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

February 15, 2022

Based on the findings of self-assessment, Pegavision Corporation states the following with regard to its internal control system during the year 2021:

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. Each component also includes several items which can be found in the Regulations.
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, 2021, 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 February 15, 2022 with none of nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Pegavision Corporation

Chairman/Peter Kuo　　　　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 2021 Annual General Shareholders' Meeting on July 15, 2021. At the meeting, shareholders approved the following resolutions:

1. Amendments to the Company's "Rules of Procedure of Shareholders' Meeting".
   Execution: Resolution passed and has been fully implemented in accordance with the resolution.
2. Amendments to the Company's "Procedures for Election of Directors".
   Execution: Resolution passed and has been fully implemented in accordance with the resolution.
3. General re-election of directors of the company.
   Execution: The election is completed after the attending shareholders have voted.
4. Lifting of the non-competition restriction on new directors.
   Execution: Resolution passed and has been fully implemented in accordance with the resolution.
5. Acknowledgment of 2020 earnings appropriation.
   Execution: Decision was made to distribute cash dividends at NT$5 per common share; June 16, 2021 was set as the cash dividend baseline date, and payment of cash dividends was scheduled to take place on July 9, 2021.

Major Resolution of Board Meeting

1. 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.
   - The proposal to apply to the Customs Office for the post-release duty payment guarantee extension.
   - Promotion of the Company's managers for the year 2021.
2. Board Meeting of April 26, 2021:
   - The proposal to apply for a new USD medium and long-term line of credit from banks.
   - Renewal and extension of the line of credit with banks.
   - Application for additional capital expenditure in 2021.
3. Board Meeting of June 18, 2021:
   - Change of the date of the 2021 regular meeting of shareholders of the Company and related matters.
4. Board Meeting of July 15, 2021:
   - Elect the Chairman of the Board.
   - Appointed Mr. Peter Kuo, a director of the Company, to be the Chief Strategy Officer.
   - Election of the members of the Remuneration Committee.
5. Board Meeting of July 26, 2021:
   - Adjustment of investment structure and application for new subsidiary.
   - The 69KVA UHV power project of the new Daxi factory.
   - Remuneration of the Chief Strategy Officer of the Company.
6. Board Meeting of December 27, 2020:
   - The 2021 operating plan and budget;
   - The 2021 audit plan;
   - Assessment of independence and appointment of financial statement auditor for 2021.
   - Amendments of the "Risk Management Policies and Procedures" and "Regulations for Prevention of Insider Trading."
7. Board Meeting of January 27, 2022:
   - Allocation of employee remuneration for 2021;
   - Allocation of director remuneration for 2021;
   - 2021 financial statements, consolidated financial statements and business report;
   - Distribution of cash dividends from 2021 earnings;
   - Amendments of the "Articles of Incorporation," "Procedures for the Acquisition or Disposal of Assets," "Internal Control System" and "Procedures for Self-Assessment of Internal Control."

- Lifting of the non-competition restriction on directors.
- Convention of 2022 annual general meeting, and acceptance of motion proposal from shareholders with more than 1% ownership interest;
- Passed the 2021 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 2021 and as of the Date of this Annual Report: None.

3.4 CPA's Information

Unit: NT$ thousands

Accounting Firm	CPA		Audit Period	Audit Fee	Non-audit Fee (Note)	Total
Ernst & Young Taiwan	Wells Cheng	Eric Kuo	January 1, 2021 ~ December 31, 2021	2,780	1,518	4,298

Note: NT$750,000 for the transfer pricing report, NT$170,000 for the master file report, NT$490,000 for the tax compliance audit and NT$108,000 for the business registration.

3.4.1 Change of CPA: Not applicable.

3.4.2 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	2021		01/01/2022~03/27/2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and Chief Strategy Officer	Peter Kuo	-	-	-	-
Director	T.H. Tung	-	-	-	-
Director & Shareholder with 10% Shareholdings or More	Kinsus Investment Co., Ltd.	-	-	-	-
Representative of Kinsus Investment Co., Ltd. and President	TS Yang	-	-	(150,000)	-
Representative of Kinsus Investment Co., Ltd.	Scott Chen	(42,000)	-	-	-
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	Shu-Yu Lee	-	-	-	-
Independent Director	Chi-Wan Lai	-	-	-	-
Vice President	Terry Chang	(9,000)	-	-	-
Director of Finance & Accounting Division	Tony Wang	(27,000)	-	-	-

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 26, 2022

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	-	-	-	-		
Fubon Life Insurance Co., Ltd.	2,183,000	3.12						
New Labor Pension Fund	2,155,000	3.08						
Peter Kuo	1,928,868	2.76	234,249	0.33			Kinsus Investment Co., Ltd.	Director of the company
Allianz Global Investors Taiwan Fund	1,283,000	1.83						
Teng-Yao Investment Co., Ltd. (Rep.: Keng-Wei Chang)	1,243,458	1.78						
Po-Wen Liu	1,105,000	1.58						
Cathay Life Insurance Co., Ltd.	1,071,000	1.53						

3.7 Long Term Investment Ownership

As of December 31, 2021

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 (Jiangsu) Limited	-	100	-	-	-	100
Mayin Investment Co., Ltd.	12,000,000	100	-	-	12,000,000	100
BeautyTech Platform Corporation	4,000,000	100	-	-	4,000,000	100
Aquamax Vision Corporation	11,000,000	100	-	-	11,000,000	100
FacialBeau International Corporation	2,750,000	55	590,000	11.8	3,340,000	66.8

Capital and Shares

4.1 Capital and Shares

4.1.1 Type of Stock

Unit: Share | As of March 26, 2022

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 26, 2022

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	-	5	73	4,464	161	4,703
Shareholding	-	3,414,000	40,137,477	16,862,073	9,586,450	70,000,000
Holding Percentage	-	4.88	57.33	24.10	13.69	100

4.1.4 Distribution Profile of Share Ownership

Common Share/Par Value:NT$10/share As of March 26, 2022

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership Percentage
1-999	2,126	231,044	0.33
1,000-5,000	2,092	3,671,319	5.24
5,001-10,000	179	1,336,598	1.91
10,001-15,000	64	813,329	1.16
15,001-20,000	45	817,727	1.17
20,001-30,000	46	1,197,666	1.71
30,001-40,000	24	838,193	1.20
40,001-50,000	14	624,809	0.89
50,001-100,000	48	3,507,894	5.01
100,001-200,000	28	4,032,805	5.76
200,001-400,000	17	4,509,413	6.44
400,001-600,000	7	3,631,857	5.19
600,001-800,000	3	2,169,729	3.10
800,001-1,000,000	-	-	-
Over 1,000,001	10	42,617,617	60.89
Total	4,703	70,000,000	100.00

Preferred Shares: None.

4.1.5 Major Shareholders

Common Share As of March 26, 2022

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
Fubon Life Insurance Co., Ltd.	2,183,000	3.12
New Labor Pension Fund	2,155,000	3.08
Peter Kuo	1,928,868	2.76
Allianz Global Investors Taiwan Fund	1,283,000	1.83
Teng-Yao Investment Co., Ltd.	1,243,458	1.78
Po-Wen Liu	1,105,000	1.58
Cathay Life Insurance Co., Ltd.	1,071,000	1.53

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	2020	2021
Market Price Per Share		
Highest Market Price	295	678
Lowest Market Price	81.50	231
Average Market Price	181.61	446.65
Net Worth Per Share		
Before Distribution	65.65	78.37
After Distribution	60.65	69.87
Earnings Per Share		
Weighted Average Shares (thousand shares)	70,000	70,000
Diluted Earnings Per Share	10.22	17.84
Dividends Per Share		
Cash Dividends	5.00	8.50
Accumulated Undistributed Dividend	-	-
Return on Investment		
Price/Earnings Ratio	17.77	25.04
Price/Dividend Ratio	36.32	52.55
Cash Dividend Yield	2.75%	1.90%

4.1.7 Dividend Policy and Distribution of Earnings

Based on the Company's Article of Incorporation, 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 2021 earnings appropriation proposal, as shown below, has been adopted by the board of directors during the meeting held on February 15, 2022. This proposal shall be executed according to relevant rules once it is resolved during the annual general meeting scheduled on May 24, 2022. 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	1,498,072,012
Reorganization adjustments	(2,786)
Net income after tax in 2021	1,248,573,777
Subtotal	2,746,643,003
Appropriation items:	
Legal capital reserve (10%)	(124,857,099)
Special capital reserve	(8,223,612)
Distributable amount of 2021	2,613,562,292

Item	Amount
Distribution:	
Cash dividends paid to common shareholders (NT$ 8.5 per share)	(595,000,000)
Unappropriated retained earnings	2,018,562,292

4.1.8 Impact to Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.9 Compensation to Directors and Profit Sharing 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$186.084 million of employee remuneration and NT$16.181 million of director remuneration in 2021; both amounts were presented as part of salary expense. The board of directors meeting dated February 15, 2022 passed a resolution to distribute NT$186.084 million of employee remuneration and NT$16.179 million to 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 2021

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

	Amount allocated (NTD)
Employee remuneration - in cash	186,083,618
Director remuneration	16,179,000

   The above director and employee remuneration were accrued in 2021. The difference of $2,000 between the amounts appropriated in 2022 and the amounts recognized in the 2021 financial statements was reported as profit or loss in the following year.

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 2020 employee remuneration, share-based compensation and director/supervisor remuneration resolved during board of directors meeting held on January 29, 2021:

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

The above director/supervisor remuneration and employee cash remuneration were expensed during the 2020 financial year. The difference of $4,000 between the amounts appropriated in 2021 and the amounts recognized in the 2020 financial statements was reported as profit or loss in the following year.

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: Not applicable.

Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

The Company is a professional soft contact lens manufacturer and provides OEM services for domestic and overseas customers. The following is the scope of business as approved:

CF01011 Medical Materials and Equipment Manufacturing
F108031 Wholesale of Drugs, Medical Goods
F208031 Retail sale of Medical Equipments
CE01030 Photographic and Optical Equipment Manufacturing
CE01010 Precision Instruments Manufacturing
F113030 Wholesale of Precision Instruments
F213040 Retail Sale of Precision Instruments
CC01040 Lighting Facilities Manufacturing
F113020 Wholesale of Household Appliance
F213010 Retail Sale of Household Appliance
F401010 International Trade
IG01010 Biotechnology Services
C802041 Drugs and Medicines Manufacturing
F108021 Wholesale of Drugs and Medicines
F208021 Retail Sale of Drugs and Medicines
JZ99060 Spectacles Shops
F110020 Wholesale of Spectacles
F210020 Retail Sale of Spectacles
F206020 Retail Sale of Articles for Daily Use
F106020 Wholesale of Articles for Daily Use
F208040 Retail Sale of Cosmetics
F108040 Wholesale of Cosmetics
F399990 Retail sale of Others
F203010 Retail sale of Food and Grocery
F102170 Wholesale of Food and Grocery
I401010 General Advertising Services
F399010 Convenience Stores
F301010 Department Stores
F301020 Supermarkets
I301010 Software Design Services
ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Current Products and Services

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

- Disposal cycles: daily, (bi-)weekly, monthly, quarterly and yearly.
- Optical function: myopia, hyperopia, astigmatism, progressive, astigmatism with presbyopia and relax.
- Lens materials: HEMA-Base and SiHy-Base (high oxygen permeability).
- Added features: colored lenses with cosmetic effect, lenses with vitamin B12, tear-stimulating lens and blue light-blocking lenses, etc.
- Moisturization method: hyaluronic acid-based and biocompatible membrane moisturization systems.

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

Current Main Products and Weight

Unit: NT$ thousands

Product \ Year	2020		2021	
	Net operating revenues	Weight (%)	Net operating revenues	Weight (%)
Contact lens	3,978,413	100	5,595,043	100
Total	3,978,413	100	5,595,043	100

Note: Includes other operating revenues related to contact lens

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

5.1.2 Industry Overview

Association Between Upstream, Midstream, and Downstream Industry Participants

Contact lenses are in the medical device sector under the biotechnology industry. 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.

The Company is in the midstream industry with a global market size of approximately US$9.4 billion[1] at present. The industry has high barriers to entry and is an oligopolistic market. The top four companies, Johnson & Johnson, Cooper, Alcon and Bausch & Lomb, account for more than 90% of the market share. As for Taiwanese companies, the total export amounts including the Company, Kingo, St. Shine, Visco Vision and Vizionfocus reached US$530 million in 2021, making contact lenses the highest export value among all medical devices in Taiwan.

Lens Material

There are two main categories: hydrogel and silicone hydrogel. 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, 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.

[1] Cooper Companies, Investor Presentation, January 10, 2022, page 7.

According to a study by Contact Lens Spectrum[2], 74% of new soft contact lens prescriptions in 2021 were for silicone hydrogel and 26% were for hydrogel. This ratio varies significantly between countries, for example: 83% in the US, 57% in Japan, 12% in China, 86% in the UK and 68% in Germany. Overall, 1 the use of silicone hydrogel has continued to increase by 2% as compared to the previous year.

Lens Function

- Vision correction: According to CooperCompanies[3], toric lenses have accounted for approximately 24% of the total revenue from contact lens sales, multifocal lenses 10%, and spherical lenses 66%; of which, multifocal lens has increased by 1% compared with the previous year.
- Beauty needs: Besides the cosmetic lenses with myopia correction function, the zero-degree cosmetic lenses for beauty are also popular in Taiwan, China, Japan and Korea. For example, in Tmall, the largest e-commerce platform in China, the percentage of sales for color lenses is 70% while the percentage of sales for clear lenses is 30%; and the percentage of color lenses has increased by 3% compared with the previous year. Given that color lenses are part of the fashion, there are a lot of styles and designs available on the market, so the manufacturers who are able to produce smaller batches with shorter lead times would be very competitive in this area.
- Light filtration: Including anti-UV and anti-blue light lenses. The demand for anti-blue light products increased as the electronic products become more popular.
- Myopia control lens: According to MarketResearch.com[4], the global contact lens demand of the myopia control is expected to grow from 240 million pieces in 2020 to 350 million pieces in 2027. Myopia control daily disposable lenses can improve the disadvantages that traditional Ortho-K have, such as feeling a foreign object, having difficulty in the first fitting, having high loss cost, requiring daily cleaning, and spending 8 hours to sleep every day. Currently, only Cooper is approved in the United States, Canada, Taiwan, China and other countries around the world to sell myopia control daily disposable lenses.
- Sustained drug release: This product can slow release the drug on the lens, which is the newest product on the market after myopia control lens. Currently, only Acuvue Theravision with Ketotifen by Johnson & Johnson has been approved in Japan, Canada and the United States.

Wearing Cycles

There are various wear cycles such as daily, weekly, bi-weekly, monthly, quarterly, half-yearly, and more than one year. In 2021, the daily disposable lens accounted for 49% of the contact lens market, representing an 18% increase compared to the previous year; the weekly and bi-weekly disposable lens accounted for 16%, representing a 9% increase compared to the previous year; and the monthly disposable lens accounted for 34%, representing a 13% increase compared to the previous year[5].The daily and monthly disposable lens continue to dominate the market, the daily disposable lens seem to gradually take over the market.

Solutions

Besides normal saline, there are also functional solutions that contain moisturizers, vitamin E, B6, B12, and menthol.

5.1.3 Technological Research and Development

Annual R&D Expenses

The Company committed NT$546.64 million of its R&D expenses in 2021, amounting to 9.77% of operating revenue.

Technologies or Products Successfully Developed in 2021

1. Production technology development: intelligent inspection system, raw material verification system, pattern design assisting system, and transfer printing technology system.
2. Product development
   - High moisturizing/lubrication 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 product is a new generation of green products that not only improves wearers’ comfort, but also significantly reduces the amount of wastewater and organic components generated from the manufacturing process.

---

[2] INTERNATIONAL CONTACT LENS PRESCRIBING IN 2021, Contact Lens Spectrum, January 2022, page 32-38.

[3] Investor Presentation, January 10, 2022, page 7.

[4] Global Contact Lenses For Myopia Control Sales Market Report 2021.

[5] JASON J. NICHOLS, OD, MPH, PHD, & LISA STARCHER (January 2022), CONTACT LENSES 2021, Contact Lens Spectrum, page 24-26.

- Contact lenses with multivitamin & coenzyme: As the vision care market grows year by year, we have used our proprietary technology to develop contact lenses that contain active vitamin compounds to supplement eyes with essential nutrients while wearing the lenses. This product is clinically proven to be effective in maintaining the tear quality and improving eye fatigue during wear. It also helps to improve the wearer's comfort, visual satisfaction and lens moisturizing throughout the day.
- Long-lasting nourishing functional contact lenses: Allergic conjunctivitis is an eye disease that affects millions of people due to the increasing use of chemicals and the pollution associated with urbanization, industrialization and climate change. This product is developed to allow wearers who need vision correction to wear contact lenses with anti-allergy/anti-inflammatory ingredients to relieve the discomfort caused by eye irritation while continuing to correct vision and allergies. We have developed a new system for active ingredient delivery with our contact lens, which has been proven to prolong release of ingredients.
- 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.
- 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.

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:

1. Production technology
   - Production technology for refined color patterns will be further improved to increase details of patterns printed on cosmetic contact lenses.
   - To introduce a small-batch of elastic production system in response to the small-quantity and diversified production mode of cosmetic lenses in order to improve the production efficiency and manpower.
   - Quantification of chromatic aberration inspection, measure the ink area of color transfer, overcome the standard errors between machines, and quantify the chromatic aberration detection.
   - The hardware of AOI 4.0 for wet lens features special light source switches to improve the focus range, while the software is supported by artificial intelligence technology to enhance the accuracy of AOI judgment.
   - Develop automatic AOI+AI inspection equipment for the external appearance of packaging cartons.
   - To develop the 4^{th} generation transfer printing technology to improve the precision in the production of cosmetic lenses to meet more customers' needs.
2. Product
   - High hydrophilic and moisturizing daily disposable cosmetic silicone hydrogel-based lens: We have developed specific hydrophilic substances with special formulas to eliminate surface defect of traditional silicone hydrogel products and further enhance the wearers' satisfaction. The goal of this formula is also to simplify the manufacturing process and reduce waste, in order to significantly reduce the chemical materials required in the manufacturing process and the subsequent waste disposal.
   - New generation blue light blocking lens: Designed with a special formula, the product uses color compensation technology with diversified combination to achieve higher level of protection while at the same time correct problems with sickness impact of appearance and visual compensation that are common among ordinary blue light blocking products.
   - Silicone hydrogel multifocal lens: We adopt the hydrogel multifocal optical design, combined with the high oxygen permeability, silicone hydrogel-based materials to develop silicone hydrogel multifocal contact lenses. These lenses offer presbyopic patients more options, and also satisfy the niche product layout for our clients.
   - Toric multifocal 3-in-1 lens: Combining our exclusive astigmatism technology and intelligent multifocal design, this lens is a niche product that complements the toric presbyopic lens in high-end optical segment.
   - Pressure relief lens enhanced edition: The pressure relief zone in this lens is further enhanced on the existing special optical structure. This product not only helps to correct the wearers' vision all day long, but also helps relieve the eye strain associated with prolonged use of electronic products.
   - To develop myopia control lens.

Expected R&D Expenses

The Company expected to invest over NT$550 million into the R&D of various products and technologies in 2022 to ensure the Company's long-term competitiveness.

5.1.4 Market Analysis

The total revenue generated by soft contact lens manufacturers worldwide in 2021 is expected to reach US$9.4 billion, representing an increase by more than 14% from the previous year. The growth momentum of the industry will remain unchanged, including the continuous increase in the myopic population, and in the users of daily disposable products and silicone hydrogel materials. We estimate the annual growth rate will remain 4% to 6% in the long run.

The Company generated consolidated revenues of approximately US$200 million in 2021, representing roughly 2.13% of the global market share, market share continues to grow. Domestic sales and export sale accounted for 11% and 89% of the Company's consolidated revenue in 2021, respectively.

Production in 2021 and 2020

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

Contact Lenses			
Year	Capacity	Output	Amount
2021	53,115	50,261	2,701,415
2020	33,676	30,215	1,985,498

Consolidated Shipments and Net Revenue

Unit: Shipments (thousand boxes) / Amount (NT$ thousands)

Year / Sales destination	2020		2021	
	Shipments	Amount	Shipments	Amount
Domestic	3,529	662,660	3,031	637,515
Export	46,078	3,315,753	47,104	4,957,528

Short-Term Business Plans

• Japan

Despite the fact that the COVID-19 pandemic has not subsided, the online and offline sales of contact lenses in Japan have gradually returned to normal. We have a very strong position in the Japanese spherical lens market as we are highly recognized by our Japanese customers who trust our quality in both product design and customer service. We have collaborated with major brands in the market, and our products are available in all major distributors in Japan.

In terms of high-end optical products, most of the OEMs had limited optical design capability and production capacity in the past, so it was difficult for other brands to enter this market except the Big Four and the two major Japanese manufacturers. We have developed competitive high-end products such as toric and multifocal lenses. We will work together with our branded customers to enter this market.

• European Market

Upon the full implementation of the new Medical Device Regulation (MDR) in 2020, the European Union will impose more strict regulations on licenses and manufacturers, which will drive branded customers who are licensed but do not have their own factories to rely on the licensed manufacturers. Furthermore, the Company's high-end daily disposable hydrogel lens and monthly disposable silicone hydrogel lens will contribute to the growth of the European market.

• U.S. Market

Online purchase of contact lenses became a trend when COVID-19 pandemic hit the country. The e-commerce platform that sold the four major contact lens brands started to launch its own products to enter the competition. We will assist these customers by offering products with special characteristics from the existing market, such as solutions with added vitamins and anti-blue light lenses.

• China Market

There are many brands competing in the China market, so brands must frequently launch new products or collaborate with other industries in order to continue to attract the consumers. The Company has been able to develop and ship products quickly, which makes us very competitive in the market. For example, we have developed a new ink technology called "special pearlescent color" that has attracted the attention and adoption of major cosmetic contact lens brands. While our products are recognized by consumers on major e-commerce platforms, we have also attracted more brands that want to collaborate with us. These include those in the cosmetic industry who are becoming aware that the cosmetic contact lens market has great business opportunities.

Long-Term Business Plans

- Reduce lead time and minimum order quantity: We are able to continuously reduce lead time and minimum order quantity for each order with our advanced automation and flexible production. Our 100% on-time delivery commitment allows our customers to have a lower inventory, more flexible capital allocation, and more flexible order placement combination.
- Quality improvement: We provide customers with more reliable product quality to help reduce customer complaints and give them the confidence to invest more in diverse marketing and promotion while cutting down on customer service costs.
- Comprehensive product line: We continue to invest in new product development to provide our customers with the most diverse solutions in terms of product features and material choices.
- Comprehensive certifications and licenses: Our comprehensive product certifications and product licenses help our customers reduce the burden of product specification management and inventory while providing them with more market expansion possibilities.
- Increase production capacity: We continue to invest in automated equipment and R&D of processes to increase our market size and market share.

5.1.5 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. Unique production procedures that raised overall customer service capacity

   The Company has numerous proprietary automated production equipment and production management software. Combining with the implementation of ERP system, the Company 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.

3. 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.

4. 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.

5.1.6 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.
  Response strategies:
  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.

5.1.7 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.

5.1.8 Major Suppliers and Main Customers

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

Unit: NT$ thousands

2020				2021			
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	65,246	14.26	None	Company B	136,156	17.26	None
Company B	52,231	11.42	None	Company A	103,883	13.17	None
Company C	42,475	9.29	None	Company C	71,520	9.07	None
Company D	38,851	8.50	None	Company D	36,616	4.64	None
Others	258,518	56.53	-	Others	440,595	55.86	-
Total Net Procurement	457,320	100.00	-	Total Net Procurement	788,770	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	2020			2021		
	Net Revenue	As % of 2020 Total Net Revenue	Relation to Pegavision	Net Revenue	As % of 2021 Total Net Revenue	Relation to Pegavision
Customer A	435,637	10.95	None	1,118,525	19.99	None
Customer B	Note			909,118	16.25	
Others	3,542,776	89.05	-	3,567,400	63.76	-
Total Net Revenue	3,978,413	100.00	-	5,595,043	100.00	-

Note: Revenue less than 10% of the Company's net revenue.

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.

5.1.9 Material Contracts

As of March 26, 2022

Nature of contract	Parties involved	Contract start/end date	Main Content	Restrictive clauses
Construction contract	Lih Hwa Construction Company Limited	2019/08/28 ~ end of the warranty period	Daxi Plant construction	None
Purchase agreement (expired)	Lih Hwa Construction Company Limited	2019/08/28 ~ end of the warranty period	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
Lease agreement (expired)	Pegatron Corporation	2015/09/01 ~ 2021/08/31	Plant leasing	None
Long-term borrowing	Shanghai Commercial	2020/11/10 ~	Long-term	To perform in accordance with

Nature of contract	Parties involved	Contract start/end date	Main Content	Restrictive clauses
contract	and Savings Bank Zhongli Branch	2030/10/15	borrowing	Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan
Lease agreement	Pegatron Corporation	2021/09/01~ 2022/08/31	Plant leasing	None
Medium-to-long term borrowing contract	Mega International Commercial Bank Lanya Branch	2021/09/02~ 2028/09/02	Medium-to-long term borrowing	To establish or perform capital injection to the Company's subsidiaries
Long-term borrowing contract	Mega International Commercial Bank Lanya Branch	2021/10/08~ 2026/09/15	Long-term borrowing	To perform in accordance with Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan

5.2 Human Capital

5.2.1 Workforce Structure

		12/31/2020	12/31/2021	03/26/2022
Employee Number	General	1,425	1,596	1,519
	R&D	211	222	220
	Total	1,636	1,818	1,739
Education	Ph.D.	0.43%	0.39%	0.46%
	Master's	9.41%	8.75%	9.09%
	Bachelor's	56.60%	51.82%	52.90%
	High School	30.56%	34.10%	32.89%
	Below High School	3.00%	4.95%	4.66%
Average Years of Age		32	33	33
Average Years of Service		3.13	2.94	3.19

5.2.2 Employee Welfare Measures

Employee Compensation

Based on the education, experience, professional knowledge and skills of the employees, we provide a base salary in line with the industry. The employee salary also includes:

1. A quarterly bonus based on a certain percentage of net profit after tax;
2. Year-end bonuses;
3. Compensation to employees based on at least 10% of pre-tax income

The total salary expense for 2021 was NT$1,419.26 million and the weighted average number of employees was 1,860, resulting in an average annual salary of NT$763,000 per employee.

Employee Benefits

In addition to providing employee meal allowance, departmental dinner allowance, year-end activity, group comprehensive insurance, regular health checkup, employee purchase discount, employee travel or family day, the Company also allocated 0.1% of revenue and 30% of scraps to employee benefits (the percentage will be increased to 0.15% and 40% from 2022) and use them for employees' birthdays, festivals, labor day bonuses, wedding and funeral subsidies, and year-end activity raffles. In 2021, the Company contributed more than NT$74 million:

Item	Amount(NT$ thousand)
Employee benefits	23,380
Employee travel	1,484
Group comprehensive insurance	2,107
Regular health checkup	394
Employee meal allowance	36,257
Departmental dinner allowance	1,082
Year-end activity	9,488
Total	74,192

Diversity and Equality in the Workplace

As of December 31, 2021, the Company (excludes subsidiaries) had 1,818 employees, 58% were female employees; there were 26 female supervisors, representing 28% of the total number of supervisors.

Employment Categories		2021			
		Male	%	Female	%
Number of Employee	Direct	554	39.1%	862	60.9%
	Indirect	218	54.2%	184	45.8%
	Total	772	42.5%	1046	57.5%

Year	Item	Senior supervisors		Mid-level supervisors		General employees	
		Male	Female	Male	Female	Male	Female
2021	Employee number	20	4	47	22	705	1020
	Percentage	1.1%	0.2%	2.6%	1.2%	38.8%	56.1%

Leave of Absence

Our employees are entitled to two days off for every seven working days, as well as all memorial holidays, Labor Day and other holidays set by the competent authority. In addition, employees are entitled to paid leaves such as annual leave, marriage leave, maternity leave, paternity leave, funeral leave, and job seeking leave; for those who have childcare needs, they are entitled to apply for leave without pay. Employees who suffer from serious injuries, illnesses, accidents or other legitimate reasons may apply for leave without pay subject to the approval of the Company.

In addition, the employees at certain level or above are entitled to an additional 7 days of paid leave per year.

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. 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 targeted at building "soft power" and fundamental characters that may eventually contribute to professional skills. In 2021, the total number of employee training hours was 69,468.5, the total number of trainees was 2,428, and the number of average training hours per person was 28.6.

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 no employees who are subject to the "Labor Retirement Reserve Fund (The Old Fund)."

Labor-Management Coordination and Protection of Employees' Interests

Our employee rights and benefits are defined in the internal management system, which is available to all employees on the internal computer system, so that the employee can access these policies at any time. The Company will review these policies on the regular basis. In addition, the Company has established the Labor–Management Committee, which meets quarterly. The Company also has several functional committees and employee suggestion box in order to provide a smooth communication mechanism between employees and the Company.

Communication Channels	Number of meetings/cases in 2021
Labor-Management Meeting	4 times/ 6 extraordinary motions
Sexual Harassment Committee	1 case
Occupational Safety and Health Committee	4 times
Promotion Review Committee	1 time
Employee Suggestion Mailbox	3 cases

The Company conducts annual human rights campaigns for all employees (including foreign employees) to ensure that employees are aware of their human rights. A total of 1,802 employees completed the education and training in November 2021.

Losses Arise as a Result of Employment Disputes in 2021 and Up Until the Publication Date of Annual Report (Including Violations against Labor Standards Act Found During Labor Inspection):

The Company was fined for NT$50,000 on March 5, 2021 due to the monthly bonus not having been included in the calculation basis of overtime wages on regular days, which is in violation of Paragraph 1, Article 24 of the Labor Standards Act (sanction No.: Fu-Lao-Jian-Zi No. 1100051464, Taoyuan City Government). The Company has re-planned bonus incentive measures to avoid similar events in the future.

Employees' Safety, Protection Measures in Work Environment and Implementation

The Company obtained OHSAS 18001 (Occupational Health and Safety Assessment Series) system certification in 2016, and has implemented the international occupational safety and health management system ISO 45001 in 2020 to link up with the world. The verification is valid from September 8, 2020 to October 20, 2022, and is verified by an external verification agency every year to ensure the efficacy of the system.

By implementing the environment health and safety system (ISO 45001 & ISO 14001), Pegavision is able to effectively control people, machines, materials, laws, and the environment. This includes annual hazardous machines and equipment inspections, change management, procurement management, work rules, twice work environment assessments, special and hazardous work control programs, automatic inspection plans, regular site inspections, chemical (including toxic chemicals, special chemicals, organic solvents) management, building safety inspection, annual fire equipment inspection, the implementation of the five major protective measures (maternal/overload/unlawful infringement/repetitive operations/respiratory protective equipment), accident investigation and emergency notification procedures, waste management, regulation identification and procedures. As for the hardware facilities, there are overall/local exhaust devices, source management facilities (non-stop machine for supplementing tray, automatic stacking machine design), personal protective equipment (PPE), emergency response equipment, eyewash and shower equipment, etc.

As for the management structure, in addition to the Occupational Safety and Health Section, which is responsible for the planning, promotion and supervision of various occupational safety and health issues, the Company also has an Occupational Safety and Health Committee, chaired by the President, and an Executive Secretary. The members include supervisors, administrators and assistants of occupational safety and health, nurses, supervisors from various departments, and labor representatives. The Committee meets regularly to review, coordinate and recommend safety and health-related issues. The Occupational Safety and Health Committee met four times in 2021.

In 2021, a total of 396 courses on environmental health and safety were held, including occupational safety training for new and current employees, ISO 45001 occupational health and safety management system education training, respiratory protection equipment training, and contractor education training. The total number of trainees was 2,649. The Company also conducts emergency response drills once every six months to prepare for all kinds of emergencies. In the first and second half of 2021, the Company held a four-hour fire drill and a four-hour toxic chemical substance drill to enhance the employees' ability to respond to emergencies and protect the operational safety of the Company.

There were 13 occupational accidents in the factory and 35 traffic injuries outside the factory in 2021, accounting for 48 employees, or 2.6% of the average number of employees in the year. All these incidents have been thoroughly investigated and reviewed for improvement.

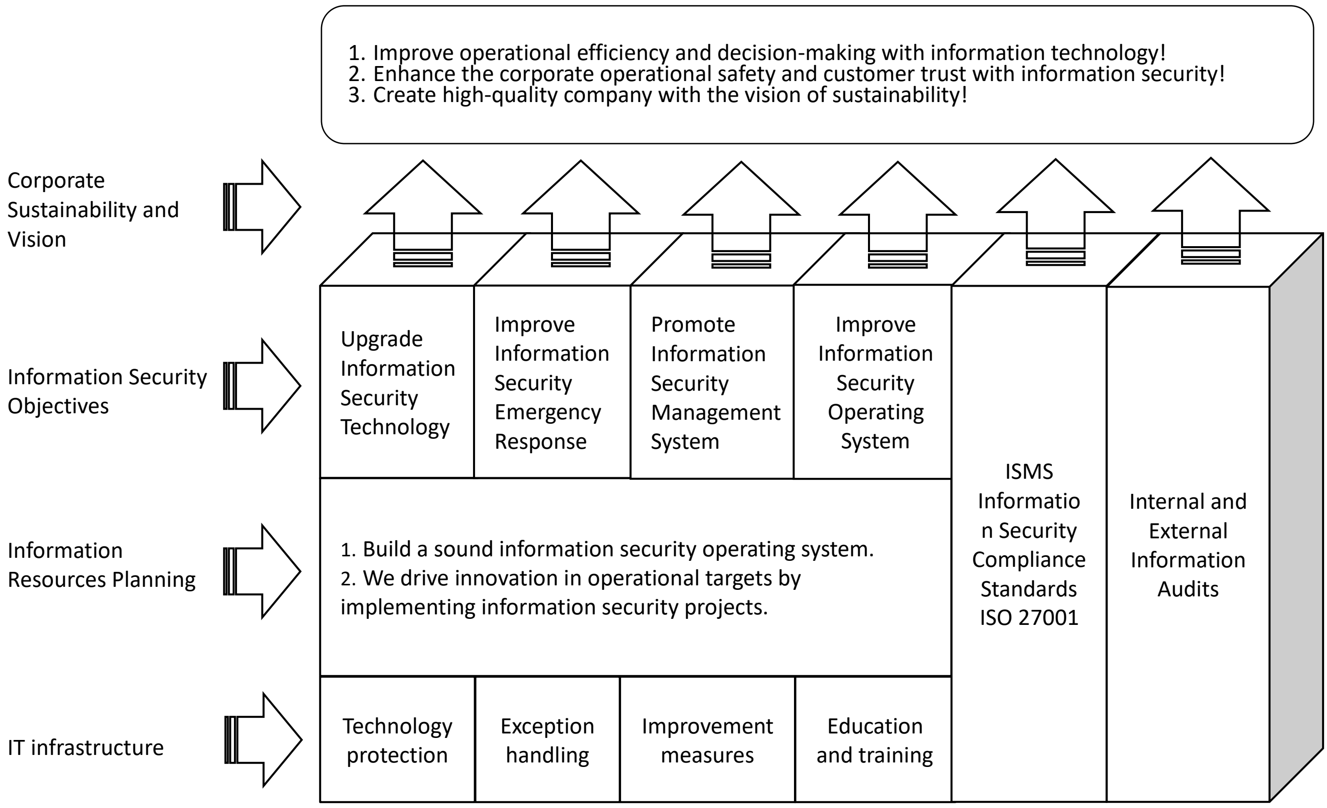
5.3 Cyber Security Management

5.3.1 Management Structure

The Company's Information Security Department is responsible for information security. The Department consists of one director, three supervisors, and several information professionals, who are responsible for setting internal information security policies, planning and implementing information security tasks, and promoting and implementing information security policies. In addition, the Department also reports to the President and Chairman of the Board of Directors on the implementation status of each task monthly.

5.3.2 Cyber Security Policy

In order to strengthen information security management and prevent the Company's data, systems, equipment and networks from being unauthorized access, use, control, disclosure, damage, alteration, destruction or other infringement to assure the confidentiality, integrity and availability of them, and to protect the Company's sustainability, we have constructed a plan and management mechanism based on the ISMS and implemented it in accordance with the international standard ISO 27001 as follows:



5.3.3 Management Solution

Technology Protection

Active anti-virus control from the terminal
Firewall access policy and control
Intrusion detection system control
Windows update control
Computer terminal peripherals control
Internet behavior policy and control
Email policy and control
VPN connection policy and control
Data backup system control
Core/Edge network connection control

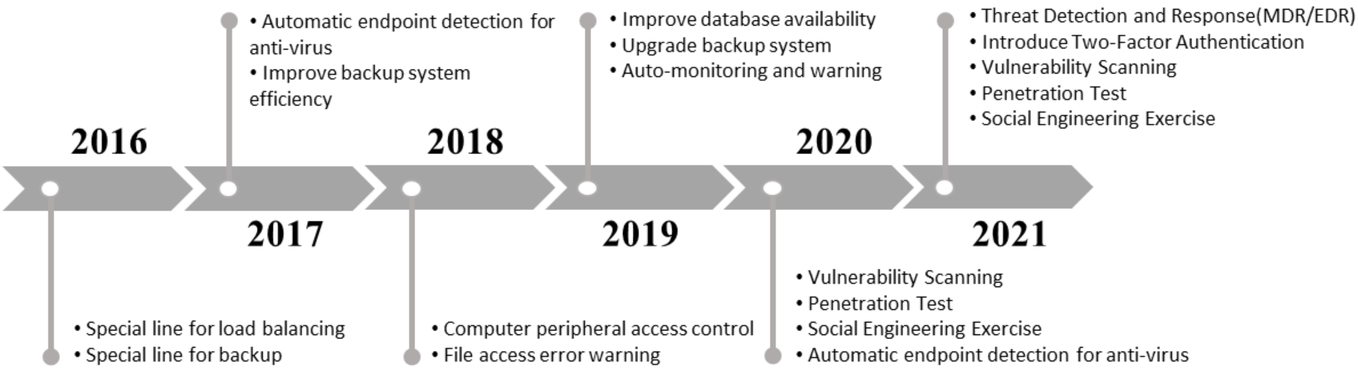
Improvement Measures/Education and Training

Information Security Management Regulations
Computer Software and Hardware Management Regulations
Computer System Recovery Management Regulations
Computer System Request Management Regulations
Access Control System Regulations
Corporate VPN Connection Management Regulations
Data Backup System Management Regulations
Data Record Management Regulations
Data Storage Room Management Regulations
Data Storage Medium Disposal Procedures
Off-site Backup Data Storage Procedures
Information security training
Information security promotion

Exception Handling

System failure warning notification
Anti-virus security alerts
Backup system failure warning notification
Emergency notification for abnormal environment control in machine room
Emergency response to information security incidents

The Company has been installing relevant information security and detection systems since 2015 to protect the Company's important data from being disclosed. The key projects related to information security in the past years are as follows:



5.3.4 Resources Invested in 2021

- Made 6 information security announcements and conducted 1 social engineering drill.
- Conducted 2 system backup drills.
- Conducted 1 system vulnerability scanning and 1 external penetration test.
- Conducted 1 hour of information security online training, with 549 employees participated.
- Purchased enterprise information security risk management insurance in October 2021.

5.3.5 Losses from Major Cyber Security Incidents: None.

5.4 Enterprise Sustainability

5.4.1 Government Structure

In 2021, the Company established a Corporate Sustainability Team, chaired by the President and coordinated by the Management Department, to jointly discuss and implement annual sustainability issues and goals:

Team members	Responsibilities	The implementation status for the year 2021 (Note)
President Office	Corporate governance, risk management, and sponsorship	Please refer to the "3.3 Implementation of Corporate Governance" on page 20-37 of this Annual Report.
Occupational Safety	Waste management, occupational safety and health	Please refer to "Employees' safety, protection measures in work environment and implementation" on page 56, "Waste" and "5.4.3 Environmental Costs" on page 61 of this Annual Report.
Factory Affairs	Energy management	The MAU located in the certified line of Daxi factory was adjusted, and the 420RT chiller in the Guishan factory was replaced.
Legal affairs	Fair competition	The Company does not engage in any anti-competitive conduct, antitrust or monopoly related litigation.
Human Resources	Employee benefits and compensation, recruitment and retention, career development and training, and human rights protection	Please refer to "5.3 Human Capital" on page 54-57 of this Annual Report.
Procurement	Supplier management	Total amount of green procurement was $7,596,190.
Quality Assurance	Product quality and supplier management	We conducted on-site evaluations on 4 domestic suppliers and written evaluations on 10 domestic and foreign suppliers, and the audit did not find any major defects.
Sales	Customer services and customer satisfaction	OEM customers' satisfaction was 93%.
Information security	Information security	Please refer to "5.3 Cyber Security Management" on page 57-58 of this Annual Report.

Note: For more information, please refer to the CSR report of the Company.

In addition to the quarterly reports on operating performance by the head of the OEM business and the own-brand business to the board of directors, the president also reported on the annual performance and implementation status of ethical corporate management and risk management, and the head of the management office reported on the annual performance and implementation status of intellectual property management to the Board on December 27, 2021. The directors not only fully evaluated the appropriateness of the management policies, strategies, objectives and improvement measures in the report, but also provided guidance to the management team when necessary.

5.4.2 Risk Assessment

When we assessed the risk of environmental, social and corporate governance issues related to the Company's operations, we used the Pegavision in Taiwan as the organizational boundary and conducted a materiality analysis based on "the level of concern from stakeholders" and "the impact that Pegavision has on the external economy, environment and society," and based on the assessed risks, we formulated relevant risk management policies or strategies:

Material Issues	Risk Assessment Items	Risk Management Policies or Strategies
Environmental	Climate change, energy saving and carbon reduction	• Establish environmental safety and health policy; • Introduce ISO 14001 environmental management system and ISO 14064-1:2018 greenhouse gas certification; • Continuously monitor energy consumption and performance indicators, regularly compile annual performance statistics, and present the results to senior executives at management meetings.
Social	Employee compensation and benefits	• Based on the education, experience, professional knowledge and skills of the employees, the Company provides a base salary in line with the market rate. The employee salary also includes: (1) A quarterly bonus based on a certain percentage of net profit

Material Issues	Risk Assessment Items	Risk Management Policies or Strategies
		after tax; (2) Year-end bonuses; (3) Compensation to employees based on at least 10% of pre-tax income. • Employee meals. • The Company allocates 0.1% of revenue and 30% of selling of scraps to employee benefits. The percentage of allocation will be increased to 0.15% and 40% from 2022. • Comprehensive training and promotion systems.
Corporate governance	Corporate governance	• Established a code of ethical conduct and ethical corporate management best-practice principles; • Established a whistle-blowing system.

5.4.3 Environmental Protection

The following data covers our Guishan and Daxi factories:

Greenhouse Gas (GHG)

The Company introduced the ISO 14064-1:2018 for greenhouse gas (GHG) inventory in 2021. In order to achieve the completeness of the inventory, the Company conducted a full inventory for Category 1 emissions, and tried to include the significant indirect GHG emission source inventory by analyzing Category 2 to 6. If any indirect GHG emissions were significantly below 0.5% of the total emissions, and the aggregate was not higher than the substantive threshold (5% of total emissions), the Categories would be omitted. As of the date of this Annual Report, the inventory results as verified by SGS in Taiwan are as follows:

Year	2019	2020
		Unit: ton CO2 equivalent
Category 1: Direct GHG emissions	198.4098	207.5575
Category 2: Indirect GHG emissions from imported energy	23,423.8924	26,612.2424
Category 4: Indirect GHG emissions from products used by the organization	7,514.43	9,985.92
Total	31,136.733	36,805.723
		Unit: CO2 equivalent
Emission from product per unit	0.11	0.09

According to the inventory results, the Company's main source of emissions was purchased electricity. It accounted for 72.3% of the total emissions, while the rest were indirect GHG emissions from products used by the Company (including imported electricity and raw materials). Therefore, the Company's GHG reduction policy shall focus on improving energy use efficiency, such as replacing energy-saving equipment. We aim to reduce emissions from product per unit by 20% in 2022 compared to the base year, which is 2019.

Water Usage

Contact lens manufacturing requires a lot of water. Currently, the Company's water source is all tap water. Based on the concepts of "reduce, recycle, reuse", we have taken water conservation measures to improve our water utilization efficiency.

Year	2020	2021
		Unit: degree
Total water consumption	270,139	323,400
Water consumption per million units of product	659	436

The water consumption per million units of product in 2021 decreased by 48% from 2019 (the base year), and by 34% from the previous year. In addition to the rainwater harvesting system under construction at the Daxi factory, the Company plans to build a water recovery system to recycle the water generated from process at the Guishan factory in 2022, with the goal of increasing the water recovery rate at the Guishan factory by 7%.

Waste

The waste sources of the Company are C-0301 (organic waste), D-2405 (ink waste), R types (Recyclable waste), needle waste, ink containers, D-1801 (domestic waste generated by employees), wiping cloth, IPA, aluminum foil and glass waste. The total weight for the last two years is:

Year	2020	2021
		Unit: kilogram
Total waste	344,272	431,618
Waste per million units of product	840	582

The Company follows a strict waste classification and management mechanism to reduce the impact on the environment. Our waste disposal objective is to recycle and use the waste. The parts that cannot be recycled and reused will be shredded and destroyed for secondary recycling. Some waste is treated by incineration. We will continue to make efforts to reduce the incineration portion in order to reduce pollution.

5.4.4 Environmental Costs

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.

Financial Highlights and Analysis

6.1 Financial Highlights

6.1.1 Condensed Balance Sheet from 2017 to 2021 (Audited)

Consolidated Balance Sheet

Unit: NT$ thousands

Item \ Year	2017	2018	2019	2020	2021 (Note)
Current Assets	1,227,355	1,560,422	1,987,183	2,890,778	3,262,570
Property, Plant and Equipment	1,473,095	2,059,794	3,029,925	3,090,551	4,915,392
Intangible Assets	632	2,306	4,536	6,296	14,082
Other Assets	208,406	524,882	288,061	428,406	372,872
Total Assets	2,909,488	4,147,404	5,309,705	6,416,031	8,564,916
Current Liabilities					
Before Distribution	1,394,621	1,645,351	1,188,472	1,716,966	2,778,429
After Distribution	1,394,621	1,735,351	1,363,472	2,066,966	3,373,429
Noncurrent Liabilities	47,435	494,211	67,528	103,350	278,060
Total Liabilities					
Before Distribution	1,442,056	2,139,562	1,256,000	1,820,316	3,056,489
After Distribution	1,442,056	2,229,562	1,431,000	2,170,316	3,651,489
Equity Attributable to Shareholders of the Parent	1,467,432	2,007,842	4,053,705	4,595,715	5,486,065
Capital Stock	600,000	600,000	700,000	700,000	700,000
Capital Surplus	240,000	240,000	1,804,928	1,804,928	1,804,931
Retained Earnings					
Before Distribution	631,923	1,173,079	1,558,571	2,098,930	2,997,501
After Distribution	631,923	1,083,079	1,383,571	1,748,930	2,402,501
Other Equity Interest	(4,491)	(5,237)	(9,794)	(8,143)	(16,367)
Non-controlling Interests	-	-	-	-	22,362
Total Equity					
Before Distribution	1,467,432	2,007,842	4,053,705	4,595,715	5,508,427
After Distribution	1,467,432	1,917,842	3,878,705	4,245,715	4,913,427

Note: Distribution of 2021 cash dividends has yet to be reported in 2022 shareholder meeting.

Unconsolidated Balance Sheet

Unit: NT$ thousands

Item \ Year	2017	2018	2019	2019	2020 (Note)
Current Assets	1,171,016	1,601,205	1,854,618	2,724,032	2,854,366
Investment accounted for using equity method	52,867	10,200	62,539	54,156	281,810
Property, Plant and Equipment	1,472,233	2,057,132	3,023,144	3,085,192	4,905,796
Intangible Assets	632	2,306	4,536	6,296	11,550
Other Assets	206,253	522,370	268,442	413,571	135,602
Total Assets	2,903,001	4,193,213	5,213,279	6,283,247	8,189,124
Current Liabilities					
Before Distribution	1,388,133	1,645,260	1,103,208	1,590,698	2,534,217
After Distribution	1,388,133	1,735,260	1,278,208	1,940,698	3,129,217
Noncurrent Liabilities	47,436	540,111	56,366	96,834	168,842
Total Liabilities					
Before Distribution	1,435,569	2,185,371	1,159,574	1,687,532	2,703,059
After Distribution	1,435,569	2,275,371	1,334,574	2,037,532	3,298,059
Equity Attributable to Shareholders of the Parent	1,467,432	2,007,842	4,053,705	4,053,705	5,486,065
Capital Stock	600,000	600,000	700,000	700,000	700,000
Capital Surplus	240,000	240,000	1,804,928	1,804,928	1,804,931
Retained Earnings					
Before Distribution	631,923	1,173,079	1,558,571	2,098,930	2,997,501
After Distribution	631,923	1,083,079	1,383,571	1,748,930	2,402,501
Other Equity Interest	(4,491)	(5,237)	(9,794)	(8,143)	(16,367)
Total Equity					
Before Distribution	1,467,432	2,007,842	4,053,705	4,595,715	5,486,065
After Distribution	1,467,432	1,917,842	3,878,705	4,245,715	4,891,065

Note: Distribution of 2021 cash dividends has yet to be reported in 2022 shareholder meeting.

6.1.2 Condensed Statement of Comprehensive Income from 2017 to 2021 (Audited)

Consolidated Statement of Comprehensive Income

Unit: NT$ thousands

Year / Item	2017	2018	2019	2020	2021
Net Revenue	2,182,174	3,132,671	3,355,133	3,978,413	5,595,043
Gross Profit	1,049,593	1,605,355	1,493,030	1,973,888	2,964,305
Income from Operations	356,764	791,067	592,114	855,688	1,459,994
Non-operating Income and Expenses	9,819	(30,611)	(31,259)	(10,834)	(16,057)
Income before Income Tax	366,583	760,456	560,855	844,854	1,443,937
Net Income	302,908	541,156	475,492	715,359	1,248,436
Other Comprehensive Income for the Year, Net of Income Tax	(927)	(746)	(4,557)	1,651	(8,224)
Total Comprehensive Income for the Year	301,981	540,410	470,935	717,010	1,240,212
Net Income (Loss) Attributable to:					
Shareholders of the Parent	302,908	541,156	475,492	715,359	1,248,574
Noncontrolling Interests	-	-	-	-	(138)
Total Comprehensive Income (Loss) Attributable to:					
Shareholders of the Parent	301,981	540,410	470,935	717,010	1,240,350
Noncontrolling Interests	-	-	-	-	(138)
Basic/Diluted Earnings Per Share	5.05	9.02	7.62	10.22	17.84

Unconsolidated Statement of Comprehensive Income

Unit: NT$ thousands

Year / Item	2017	2018	2019	2020	2021
Net Revenue	2,135,520	3,198,837	3,096,188	3,836,666	5,162,463
Gross Profit	999,068	1,614,067	1,291,735	1,850,938	2,477,222
Income from Operations	340,048	775,910	566,316	807,120	1,392,539
Non-operating Income and Expenses	24,256	(22,055)	(19,001)	9,411	23,315
Income before Income Tax	364,304	753,855	547,315	816,531	1,415,854
Net Income	302,908	541,156	475,492	715,359	1,248,574
Other Comprehensive Income for the Year, Net of Income Tax	(927)	(746)	(4,557)	1,651	(8,224)
Total Comprehensive Income for the Year	301,981	540,410	470,935	717,010	1,240,350
Basic/Diluted Earnings Per Share	5.05	9.02	7.62	10.22	17.84

6.1.3 Auditors' Opinions

Year	Accounting Firm	CPA	Audit 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
2021	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion

6.1.4 Audit Committee's Review Report

Pegavision Corporation

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 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: Eric Yao

February 15, 2022

6.1.5 Consolidated Financial Statements of 2021 and 2020

Please refer to Annex: Consolidated Financial Statements with Independent Auditors' Report as of December 31, 2021 and 2020 and for the Years Then Ended.

6.1.6 Unconsolidated Financial Statements of 2021 and 2020

Please refer to Annex: Parent-Company-Only Financial Statements with Independent Auditors' Report as of December 31, 2021 and 2020 and for the Years Then Ended.

6.2 Financial Analysis

6.2.1 Financial Analysis from 2017 to 2021 (Consolidated)

		2017	2018	2019	2020	2021
Capital Structure Analysis	Debt Ratio (%)	49.56	51.59	23.65	28.37	35.69
	Long-term Fund to Property, Plant and Equipment (%)	102.84	121.47	136.02	152.05	117.72
Liquidity Analysis	Current Ratio (%)	88.01	94.84	167.20	168.37	117.42
	Quick Ratio (%)	62.60	45.35	118.97	142.54	94.13
	Times Interest Earned (Times)	127.80	77.64	30.04	364.53	466.64
Operating Performance Analysis	Accounts Receivable Turnover (Times)	19.13	20.34	15.05	9.60	9.30
	Average Collection Period	19.07	17.94	24.25	38.02	39.24
	Inventory Turnover (Times)	3.60	2.70	2.76	4.20	5.46
	Accounts Payable Turnover (Times)	12.46	14.44	17.22	15.92	15.15
	Average Days in Sales	101.38	135.18	132.24	86.90	66.84
	Property, Plant and Equipment Turnover (Times)	1.95	1.77	1.32	1.30	1.40
	Total Assets Turnover (Times)	0.90	0.89	0.71	0.68	0.75
Profitability Analysis	Return on Total Assets (%)	12.62	15.57	10.38	12.23	16.70
	Return on Stockholders' Equity (%)	22.50	31.14	15.69	16.54	24.71
	Pre-tax Income to Paid-in Capital (%)	61.10	126.74	80.12	120.69	206.28
	Profit Ratio (%)	13.88	17.27	14.17	17.98	22.31
	Earnings Per Share (NT$)	5.05	9.02	7.62	10.22	17.84
Cash Flow	Cash Flow Ratio (%)	74.97	67.53	65.00	69.55	94.76
	Cash Flow Adequacy Ratio (%)	83.02	72.28	68.86	80.70	89.02
	Cash Flow Reinvestment Ratio (%)	39.73	27.96	11.46	14.75	26.94
Leverage	Operating Leverage	1.75	1.65	2.16	1.71	1.45
	Financial Leverage	1.01	1.01	1.03	1.00	1.00

Analysis of deviation of 2021 vs. 2020 over 20%:

1. Debt ratio increased: Mainly due to the increase rate of total liabilities is greater than the increase rate of total equity in 2021.
2. Long-term fund to property, plant and equipment decreased: Mainly due to the increase rate of property, plant and equipment is greater than the increase rate of net shareholders' equity in 2021.
3. Current ratio decreased: Mainly due to the increase rate of current liabilities is greater than the increase rate of total assets in 2021.
4. Quick ratio decreased: Mainly due the increase in inventory and current liabilities in 2021.
5. Times interest earned and pre-tax income to paid-in capital increased: Mainly due to the increase in income before income tax in 2021.
6. Inventory turnover increased: Mainly due to the increase rate of operating costs is greater than the increase rate of average net inventory in 2021.
7. Average days in sales decreased: Mainly due to the increase in inventory turnover in 2021.
8. Return on total assets, return on stockholders' equity, profit ratio and earnings per share increased: Mainly due to the increase in net income in 2021.
9. Cash flow ratio and cash flow reinvestment ratio increased: Mainly due to the increase in net cash provided by operating activities.

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 2017 to 2021 (Unconsolidated)

		2017	2018	2019	2020	2021
Capital Structure Analysis	Debt Ratio (%)	49.45	52.12	22.24	26.86	33.01
	Long-term Fund to Property, Plant and Equipment (%)	102.90	123.86	135.95	152.10	115.27
Liquidity Analysis	Current Ratio (%)	84.36	97.32	168.11	171.25	112.63
	Quick Ratio (%)	60.34	53.65	120.82	150.25	94.38
	Times Interest Earned (Times)	127.01	76.98	29.34	352.35	457.58
Operating Performance Analysis	Accounts Receivable Turnover (Times)	15.99	10.77	7.24	6.11	6.08
	Average Collection Period	22.82	33.89	50.41	59.73	60.03
	Inventory Turnover (Times)	3.80	3.13	2.99	4.99	7.69
	Accounts Payable Turnover (Times)	12.51	14.98	16.69	16.01	15.50
	Average Days in Sales	96.05	116.61	122.07	73.14	47.46
	Property, Plant and Equipment Turnover (Times)	1.91	1.81	1.22	1.26	1.29
	Total Assets Turnover (Times)	0.89	0.90	0.66	0.67	0.71
Profitability Analysis	Return on Total Assets (%)	12.65	15.48	10.44	12.48	17.29
	Return on Stockholders' Equity (%)	22.50	31.14	15.69	16.54	24.77
	Pre-tax Income to Paid-in Capital (%)	60.72	125.64	78.19	116.65	202.26
	Profit Ratio (%)	14.18	16.92	15.36	18.65	24.19
	Earnings Per Share (NT$)	5.05	9.02	7.62	10.22	17.84
Cash Flow	Cash Flow Ratio (%)	71.84	66.86	59.29	72.83	102.85
	Cash Flow Adequacy Ratio (%)	83.09	73.43	67.08	78.21	88.56
	Cash Flow Reinvestment Ratio (%)	40.21	27.69	9.47	14.24	26.56
Leverage	Operating Leverage	1.78	1.79	2.12	1.83	1.43
	Financial Leverage	1.01	1.01	1.04	1.00	1.00

Analysis of deviation of 2021 vs. 2020 over 20%:

1. Debt ratio increased: Mainly due to the increase rate of total liabilities is greater than the increase rate of total equity in 2021.
2. Long-term fund to property, plant and equipment decreased: Mainly due to the increase rate of property, plant and equipment is greater than the increase rate of net shareholders' equity in 2021.
3. Current ratio decreased: Mainly due to the increase rate of current liabilities is greater than the increase rate of total assets in 2021.
4. Quick ratio decreased: Mainly due the increase in inventory and current liabilities in 2021.
5. Times interest earned and pre-tax income to paid-in capital increased: Mainly due to the increase in income before income tax in 2021.
6. Inventory turnover increased: Mainly due to operating costs increased at a higher rate than the increase of average net inventory in 2021.
7. Average days in sales decreased: Mainly due to the increase in inventory turnover in 2021.
8. Return on total assets, return on stockholders' equity, profit ratio and earnings per share increased: Mainly due to the increase in net income in 2021.
9. Cash flow ratio and cash flow reinvestment ratio increased: Mainly due to the increase in net cash provided by operating activities.
10. Operating leverage decreased: Mainly due to the increase rate of operating income is greater than the increase rate of operating revenue and variable cost.

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)

6.2.3 Financial Status (Consolidated)

Unit: NT$ thousands

Item	2021	2020	Difference	%
Current Assets	3,262,570	2,890,778	371,792	12.86
Property, Plant and Equipment	4,915,392	3,090,551	1,824,841	59.05
Right-of-use Assets	157,658	106,734	50,924	47.71
Intangible Assets	14,082	6,296	7,786	123.67
Other Assets	215,214	321,672	-106,458	-33.10
Total Assets	8,564,916	6,416,031	2,148,885	33.49
Current Liabilities	2,778,429	1,716,966	1,061,463	61.82
Noncurrent Liabilities	278,060	103,350	174,710	169.05
Total Liabilities	3,056,489	1,820,316	1,236,173	67.91
Capital Stock	700,000	700,000	-	-
Capital Surplus	1,804,931	1,804,928	3	-
Retained Earnings	2,997,501	2,098,930	898,571	42.81
Other Equity Interest	(16,367)	(8,143)	(8,224)	100.99
Non-controlling interests	22,362	-	22,362	-
Total Equity	5,508,427	4,595,715	912,712	19.86

Analysis of Deviation over 20%

1. Property, plant and equipment and total assets: Mainly due to increase in the acquisition of machines and equipment and the construction of facilities in 2021
2. Right of use assets: Mainly due to increase in lease contracts in 2021.
3. Other assets: Mainly due to decrease in prepaid equipment in 2021.
4. Current liabilities: Mainly due to increase in short-term loan, accounts payable, other payables and current income tax liabilities in 2021.
5. Non-current liabilities: Mainly due to increase in long-term loan and contractual liabilities in 2021.
6. Total liabilities: Mainly due to increase in short-term loan, accounts payable, other payables, current income tax liabilities, long-term loan and contractual liabilities in 2021.
7. Retained earnings: Mainly due to higher revenue and net income in 2021.
8. Non-controlling interests: Mainly due to the acquisition of new partially-owned subsidiaries in 2021

Major Impact on Financial Performance

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

6.2.4 Financial Performance (Consolidated)

Unit: NT$ thousands

Item	2021	2020	Difference	%
Operating Revenue	5,595,043	3,978,413	1,616,630	40.64
Operating Costs	(2,630,738)	(1,973,888)	(656,850)	33.28
Gross Profit	2,964,305	2,004,525	959,780	47.88
Operating Expenses	(1,504,311)	(1,148,837)	(355,474)	30.94
Operating Income	1,459,994	855,688	604,306	70.62
Non-operating Income and Expenses	(16,057)	(10,834)	(5,223)	48.21
Income before Income Tax	1,443,937	844,854	599,083	70.91
Income Tax Expenses	(195,501)	(129,495)	(66,006)	50.97
Net Income	1,248,436	715,359	533,077	74.52
Other Comprehensive Income (Loss), Net of Income Tax	(8,224)	1,651	(9,875)	-598.12
Total Comprehensive Income for the Year	1,240,212	717,010	523,202	72.97

Analysis of Deviation over 20%

1. Operating revenue: Mainly attributed to higher revenue in OEM business in 2021.
2. Operating costs, gross profit, operating expenses, operating income, income before income tax and net income: Increased correspondingly with the increase in revenue in 2021
3. Income tax expenses: Mainly explained by higher taxable income in 2021.

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.

6.2.5 Cash Flow (Consolidated)

Unit: NT$ thousands

Item	2021	2020	Difference	%
Net Cash Provided by Operating Activities	2,632,863	1,194,216	1,438,647	120.47
Net Cash Used in Investing Activities	1,848,633	719,032	1,129,601	157.10
Net Cash Used in Financing Activities	172,250	43,833	128,417	292.97

Analysis of Cash Flow

1. Net cash provided by operating activities increased by NT$1,438.647 million: mainly due to (1)increase in income before income tax and other payables, (2)decrease in financial assets at fair value through profit or loss, and (3)the increase in accounts receivable being less than that of the last year in 2021.
2. Net cash used in investing activities increased by NT$1,129.601 million: mainly attributed to higher amounts of property, plant and equipment and intangible assets acquired in 2021.
3. Net cash used in financing activities increased by NT$128.417 million: mainly due to the the increase of expenditure from cash dividend payment in 2021.

Remedial Actions for Liquidity Shortfall

Not applicable.

Cash Flow Projection for Next Year

Not applicable.

6.2.6 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.

6.2.7 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 2021 and as of the date of this Annual Report: None.

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

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.

Profit or Loss Incurred on Investments in 2021

Unit: NT$ thousands

Long term Investment	Profit or loss in 2021	Main cause of profit (loss)	Improvement plans
Pegavision Contact Lenses (Shanghai) Corporation	2,613	Stable profit from OEM business and marketing service in Mainland China market	None
Gemvision Technology (Zhejiang) Limited	(9,923)	The decrease in gross profit and the increase in marketing expenses were due to the major marketing promotions	Adjust marketing strategies to increase the profitability according to market conditions
Pegavision Japan Inc.	21,134	Operating in good condition	None
Mayin Investment Co., Ltd.	44,525	Gain on investment of FacialBeau International Corporation and BeautyTech Platform Corporation accounted using the equity method	None
FacialBeau International Corporation	(169)	Not yet in formal operation	None
BeautyTech Platform Corporation	18,766	Focusing on marketing and business development	None
Aquamax Vision Corporation	(16,325)	The marketing and business development for the Company’s proprietary brands did not meet the expectations	Adjust the current market size and change the business model to minimize the losses
Pegavision (Jiangsu) Limited	(5,205)	Not yet in formal operation.	None

Investments Planned for 2022

BeautyTech Platform (Shanghai) Corporation was established on January 24, 2022.

FacialBeau (Jiangsu) Corporation was established on February 25, 2022.

IKIDO Inc. was established on March 14, 2022.

The Company plans to continue to expand its distribution network in Asia.

6.3 Risk Management

6.3.1 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 0.1%, the consolidated net income (loss) for the years ended December 31, 2021 and 2020 would increase/decrease by NT$523 thousand and NT$488 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 2021 and 2020 would decrease/increase by NT$1,563 thousand and NT$1,797 thousand, respectively; When NTD appreciates/depreciates against CNY by 1%, the consolidated net income (loss) for the years ended 31 December 2021 and 2020 would decrease/increase by NT$769 thousand and NT$1,887 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 2022 was reported at 2.84%. However, 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.

6.3.2 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.

6.3.3 Future R&D Plans and Corresponding Budget

Please refer to “Future R&D Plands” on page 49 of this Annual Report.

6.3.4 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 2021 up until the publication date of this annual report.

6.3.5 Financial Impacts and Response Measures in the Event of Technological (including cyber security risks) 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. Neither laser surgery nor traditional eyewear can replace the cosmetic lenses that are one of the mainstream contact lens products, and no alternative technology or product has been found to replace contact lenses in the near future.

As we continue to upgrade the electronification and automation in the operations, the need for information security protection is becoming more and more urgent. If our internal network system is hacked, not only could our confidential information be stolen, the production line be shut down, but also the hackers could extort or blackmail the Company. Therefore, the Company has established comprehensive network and computer-related information security measures. Please refer to “5.3 Cyber Security Management” on pages 57–58 of this Annual Report for the Company’s measures to address the risks associated with cyber security.

In summary, these changes in technology (including cyber security risks) and in the industry do not have a material impact on the Company’s financial operations.

6.3.6 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.

6.3.7 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.

6.3.8 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. We expect to increase our production capacity by 46 million lenses after the construction is completed in order to accommodate the increased demand for future market growth. Since the global contact lens market continues to grow, the potential risk is considered to be low.

6.3.9 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 17.27% and 14.26% of total purchase in 2021 and 2020, 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 19.99% and 10.95% of total revenues in 2021 and 2020, respectively, which showed no significant sign of concentration.

6.3.10 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.

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

6.3.12 Litigation and Non-Contentious Cases

None of the Company or its director, President, person-in-charge or subsidiary was involved in any ongoing significant litigations, non-contentious cases, or administrative litigations in 2021 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.

6.3.13 Other Important Risks, and Mitigation Measures Being or to be Taken: None.

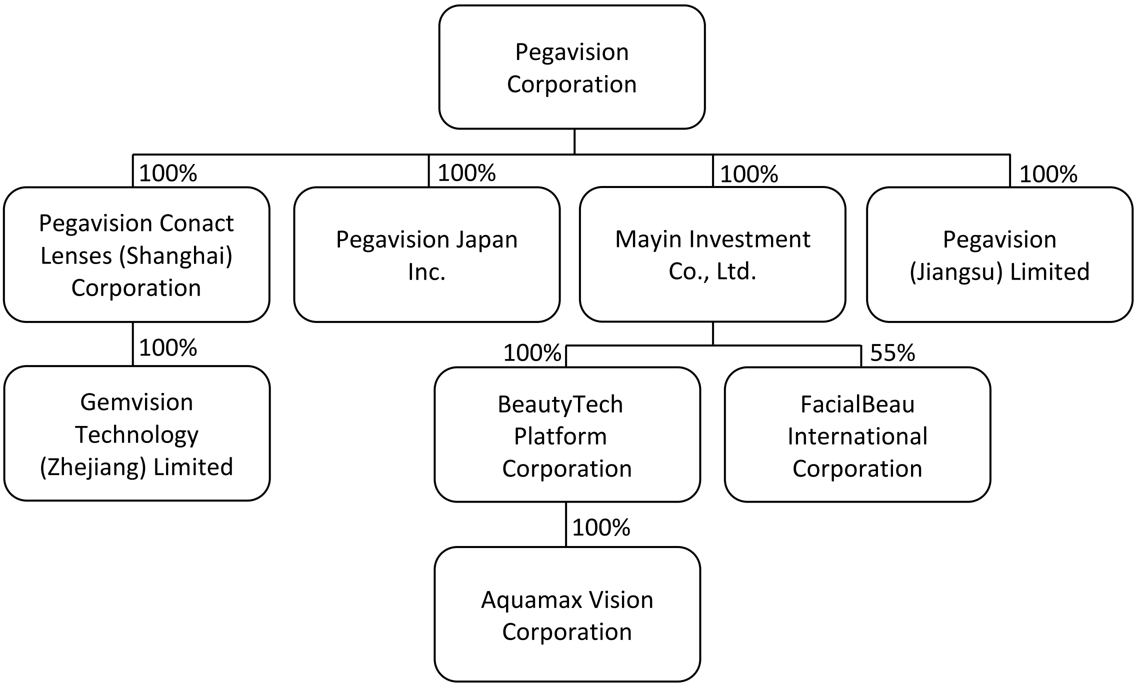
6.4 Other Material Issues

The Company had no other material issues subject to disclosure as of the publication date of this Annual Report.

Subsidiary Information and Other Special Notes

7.1 Subsidiaries *(As of December 31,2021)*

7.1.1 Pegavision Subsidiaries Chart



7.1.2 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, makeup and skincare products.

7.1.3 Pegavision Subsidiaries

Company	Date of Incorporation	Place of Registration	Capital Stock ($ thousands)		Business Activities
Pegavision Contact Lenses (Shanghai) Corporation	Sep. 25, 2012	Shanghai, China	USD	3,600	Sales of medical materials and equipment
Pegavision Japan Inc.	May 15, 2015	Japan	JPY	9,900	Sales of medical materials and equipment and providing customer services
Gemvision Technology (Zhejiang) Limited	Jan. 29, 2019	Zhejiang, China	CNY	22,000	Sales of medical materials and equipment
BeautyTech Platform Corporation	June 15, 2020	Taiwan	NTD	40,000	Sales of medical materials and equipment
Aquamax Vision Corporation	July 29, 2020	California, USA	USD	1,100	Sales of medical materials and equipment
Pegavision (Jiangsu) Limited	Mar. 15, 2021	Jiangsu, China	USD	3,000	Manufacturing and sales of medical materials and equipment
Mayin Investment Co., Ltd.	Aug 19, 2021	Taiwan	NTD	120,000	Investment
FacialBeau International Corporation	Oct 22, 2021	Taiwan	NTD	50,000	Sales of medical materials and equipment, makeup and skincare products

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

7.1.5 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
	Supervisor	Pegavision Corporation (Rep.: Chi-Liang Chen)		
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
	Supervisor	Pegavision Contact Lenses (Shanghai) Corporation (Rep.: Danny Lee)		
BeautyTech Platform Corporation	Chairman	Mayin Investment Co., Ltd. (Rep.: T. H. Tung)	4,000,000	100
	Vice Chairman	Mayin Investment Co., Ltd. (Rep.: Peter Kuo)		
Aquamax Vision Corporation	Director	BeautyTech Platform Corporation Corporation (Rep.: Gwendolyn Kao)	11,000,000	100
Pegavision (Jiangsu) Limited	Director	Pegavision Corporation (Rep.: Tony Wang)	-	100
	President	Pegavision Corporation (Rep.: Joshua Shi)		
	Supervisor	Mayin Investment Co., Ltd. (Rep.: Danny Lee)		
Mayin Investment Co., Ltd.	Chairman	Pegavision Corporation (Rep.: Peter Kuo)	12,000,000	100
FacialBeau International Corporation	Chairman	T. H. Tung	100,000	2
	Vice Chairman	Peter Kuo	150,000	3
	Supervisor	Mayin Investment Co., Ltd. (Rep.: Danny Lee)	2,750,000	55

7.1.6 Operational Highlights of Pegavision Subsidiaries

Unit: NT$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Pegavision Contact Lenses (Shanghai) Corporation	112,559	116,868	8,685	108,183	83,839	13,844	2,613	NA
Pegavision Japan Inc.	2,554	399,759	339,958	59,801	1,895,506	32,434	21,134	NA
Gemvision Technology (Zhejiang) Limited	95,523	221,142	138,332	82,810	557,398	(12,368)	(9,923)	NA
BeautyTech Platform Corporation	40,000	415,911	359,875	56,036	581,368	45,635	18,766	4.69
Aquamax Vision Corporation	31,174	26,977	14,631	12,346	118	(16,304)	(16,325)	NA
Pegavision (Jiangsu) Limited	85,620	126,800	46,413	80,387	2,456	(6,118)	(5,205)	NA
Mayin Investment Co., Ltd.	120,000	164,424	80	164,344	0	(148)	44,525	3.71
FacialBeau International Corporation	50,000	53,215	3,522	49,693	0	(404)	(307)	(0.06)

7.1.7 Consolidated Financial Statements: Please refer to Annex: Consolidated Financial Statements with Independent Auditors' Report as of December 31, 2021 and 2020 and for the Years Then Ended.

7.1.8 Reports on Affiliations: Not applicable.

7.2 Special Notes

7.2.1 Private Placement Securities in 2021 and as of the Date of this Annual Report: None.

7.2.2 Status of Pegavision Common Shares Acquired, Disposed of, and Held by Subsidiaries: None.

7.2.3 Any Events in 2021 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.

7.2.4 Other Necessary Supplement: None.

Ticker: 6491

PEGAVISION CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2021 AND 2020
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, 2021 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

Guo, Ming-Dong
Chairman
February 15th, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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$5,595,043 thousand for the year ended December 31, 2021 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$573,774 thousand, representing 7% of total assets, as of December 31, 2021, 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 2021 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, 2021 and 2020.

*/s/*Cheng, Ching-Piao

*/s/*Kuo, Shao-Pin

Ernst & Young
Taiwan, R.O.C.
February 15th, 2022

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, 2021 and 2020

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2021		As of December 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$1,848,965	21	$1,246,001	19
1110	Financial assets at fair value through profit or loss	4, 6(2)	67,028	1	566,769	9
1170	Accounts receivable, net	4, 6(3), 6(15), 7	627,333	7	574,715	9
1200	Other receivables		6,708	-	3,680	-
1220	Current tax assets	4, 6(20)	1,558	-	-	-
1310	Inventories, net	4, 6(4)	573,774	7	389,405	6
1410	Prepayments		73,409	1	54,070	1
1470	Other current assets		63,795	1	56,138	1
11xx	Total current assets		3,262,570	38	2,890,778	45
	Non-current assets					
1600	Property, plant and equipment, net	4, 6(5), 8, 9	4,915,392	57	3,090,551	48
1755	Right-of-use assets, net	4, 6(16)	157,658	2	106,734	2
1780	Intangible assets, net	4, 6(6)	14,082	-	6,296	-
1840	Deferred tax assets	4, 6(20)	13,305	-	14,636	-
1900	Other non-current assets	6(5), 6(7), 7, 8	201,909	3	307,036	5
15xx	Total non-current assets		5,302,346	62	3,525,253	55
1xxx	Total Assets		$8,564,916	100	$6,416,031	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, 2021 and 2020
(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2021		As of December 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	6(8)	$444,866	5	$367,890	6
2130	Contract liabilities	6(14),7	64,227	1	80,262	1
2150	Notes payable		2,316	-	554	-
2170	Accounts payable		200,420	2	144,090	2
2200	Other payables	6(9), 7	1,736,420	20	841,310	13
2230	Current tax liabilities	4, 6(20)	122,480	2	82,178	2
2280	Lease liabilities	4, 6(16)	52,396	1	41,846	1
2300	Other current liabilities	6(10), 6(11)	155,304	2	158,836	2
21xx	Total current liabilities		2,778,429	33	1,716,966	27
	Non-current liabilities					
2540	Non-current portion of long-term borrowings	6(11), 8	141,993	2	14,705	-
2570	Deferred tax liabilities	4, 6(20)	25,661	-	23,366	-
2580	Lease liabilities	4, 6(16)	109,107	1	64,400	1
2645	Guarantee deposits received		515	-	645	-
2670	Other non-current liabilities	4, 6(10), 6(11)	784	-	234	-
25xx	Total non-current liabilities		278,060	3	103,350	1
2xxx	Total liabilities		3,056,489	36	1,820,316	28
3100	Capital	6(13)				
3110	Common stock		700,000	8	700,000	11
3200	Capital surplus	6(13)	1,804,931	21	1,804,928	28
3300	Retained earnings	6(13)				
3310	Legal reserve		242,715	3	171,179	3
3320	Special reserve		8,143	-	9,795	-
3350	Unappropriated retained earnings		2,746,643	32	1,917,956	30
3400	Other equity interest		(16,367)	-	(8,143)	-
36xx	Non-controlling interests		22,362	-	-	-
3xxx	Total equity		5,508,427	64	4,595,715	72
	Total liabilities and equity		$8,564,916	100	$6,416,031	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, 2021 and 2020
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	4, 6(14)	$5,595,043	100	$3,978,413	100
5000	Operating costs	6(4), 7	(2,630,738)	(47)	(1,973,888)	(50)
5900	Gross profit		2,964,305	53	2,004,525	50
6000	Operating expenses	7				
6100	Selling expenses		(627,067)	(11)	(552,737)	(14)
6200	Administrative expenses		(321,543)	(6)	(218,086)	(6)
6300	Research and development expenses		(546,642)	(10)	(374,460)	(9)
6450	Expected credit gains (losses)	6(15)	(9,059)	-	(3,554)	-
	Operating expenses total		(1,504,311)	(27)	(1,148,837)	(29)
6900	Operating income		1,459,994	26	855,688	21
7000	Non-operating income and expenses	6(18)				
7100	Interest income		4,470	-	4,813	-
7010	Other income		14,474	-	12,025	-
7020	Other gains or losses		(30,542)	-	(23,714)	-
7050	Finance costs		(4,459)	-	(3,958)	-
	Total non-operating incomes and expenses		(16,057)	-	(10,834)	-
7900	Income from continuing operations before income tax		1,443,937	26	844,854	21
7950	Income tax	4, 6(20)	(195,501)	(4)	(129,495)	(3)
8200	Net income		1,248,436	22	715,359	18
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		(8,224)	-	1,651	-
	Total other comprehensive income, net of tax		(8,224)	-	1,651	-
8500	Total comprehensive income		$1,240,212	22	$717,010	18
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		$1,248,574	22	$715,359	18
8620	Non-controlling interests		(138)	-	-	-
			$1,248,436	22	$715,359	18
8700	Comprehensive income (loss) attributable to:		$1,240,350	22	$717,010	18
8710	Shareholders of the parent		(138)	-	-	-
8720	Non-controlling interests		$1,240,212	22	$717,010	18
9750	Earnings per share-basic (in NTD)	4, 6(21)	$17.84		$10.22	
9850	Earnings per share-diluted (in NTD)	4, 6(21)	$17.72		$10.16	

(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, 2021 and 2020

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent							Non-controlling interests	Total Equity
				Retained Earnings						
		Capital	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Total		
Code	Items	3100	3200	3310	3320	3350	3410	31XX	36XX	3XXX
A1	Balance as of January 1, 2020	$700,000	$1,804,928	$123,630	$5,237	$1,429,704	$(9,794)	$4,053,705	$-	$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)		(175,000)
D1	Net income for 2019					715,359		715,359		715,359
D3	Other comprehensive income (loss) for 2020						1,651	1,651		1,651
D5	Total comprehensive income	-	-	-	-	715,359	1,651	717,010	-	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	$-	$4,595,715
A1	Balance as of January 1, 2021	$700,000	$1,804,928	$171,179	$9,795	$1,917,956	$(8,143)	$4,595,715	$-	$4,595,715
	Appropriation and distribution of 2020 earnings									
B1	Legal reserve appropriated			71,536		(71,536)		-		-
B3	Special reserve appropriated				(1,652)	1,652		-		-
B5	Cash dividends-common shares					(350,000)		(350,000)		(350,000)
D1	Net income for 2021					1,248,574		1,248,574	(138)	1,248,436
D3	Other comprehensive income (loss) for 2021						(8,224)	(8,224)		(8,224)
D5	Total comprehensive income	-	-	-	-	1,248,574	(8,224)	1,240,350	(138)	1,240,212
H3	Reorganization		3			(3)		-		-
O1	Non-controlling interests								22,500	22,500
Z1	Balance as of December 31, 2021	$700,000	$1,804,931	$242,715	$8,143	$2,746,643	$(16,367)	$5,486,065	$22,362	$5,508,427

(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, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2021	2020
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	$1,443,937	$844,854
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation (including right-of-use assets)	652,256	606,087
A20200	Amortization	4,306	2,929
A20300	Expected credit losses (gain)	9,059	3,554
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(360)	(947)
A20900	Interest expense	4,459	3,958
A21200	Interest income	(4,470)	(4,813)
A22500	Loss (gain) on disposal of property, plant and equipment	(381)	(1,599)
A23700	Impairment loss on non-finacial assets	24,015	19,627
A29900	Loss (gain) on lease modification	(710)	(160)
A29900	Loss (gain) on government grants	(218)	(21)
A30000	Changes in operating assets and liabilities:		
A31115	Financial assets at fair value through profit or loss	500,101	(249,702)
A31150	Accounts receivable	(61,672)	(324,972)
A31180	Other receivables	(3,093)	(1,329)
A31200	Inventories	(184,369)	160,587
A31230	Prepayments	(19,339)	(30,795)
A31240	Other current assets	(7,657)	(26,798)
A32125	Contract liabilities	(16,035)	9,497
A32130	Notes payable	1,762	(3,176)
A32150	Accounts payable	56,330	44,471
A32180	Other payables	389,809	143,439
A32230	Other current liabilities	(3,748)	72,474
A33000	Cash generated from operations	2,783,982	1,267,165
A33100	Interest received	4,535	4,800
A33300	Interest paid	(3,381)	(2,151)
A33500	Income tax paid	(152,273)	(75,598)
AAAA	Net cash provided by (used in) operating activities	2,632,863	1,194,216

Code	Items	2021	2020
BBBB	Cash flows from investing activities:		
B02700	Acquisition of property, plant and equipment	(1,840,501)	(711,244)
B02800	Proceeds from disposal of property, plant and equipment	447	1,599
B03700	Decrease (increase) in refundable deposits	3,510	(4,698)
B04500	Acquisition of intangible assets	(12,089)	(4,689)
BBBB	Net cash provided by (used in) investing activities	(1,848,633)	(719,032)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term borrowings	76,976	238,976
C01600	Increase in long-term borrowings	128,580	15,000
C03000	Increase (decrease) in guarantee deposits received	(130)	(117)
C04020	Payments of lease liabilities	(50,176)	(122,692)
C04500	Cash dividends paid	(350,000)	(175,000)
C05800	Increase (decrease) in non-controlling interests	22,500	-
CCCC	Net cash provided by (used in) financing activities	(172,250)	(43,833)
DDDD	Effect of exchange rate changes	(9,016)	1,843
EEEE	Increase (decrease) in cash and cash equivalents	602,964	433,194
E00100	Cash and cash equivalents at beginning of period	1,246,001	812,807
E00200	Cash and cash equivalents at end of period	$1,848,965	$1,246,001

(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 February 15th, 2022.

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 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, 2021. The adoption of these new standards and amendments had no material impact on the Group.

(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	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) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The Group assesses all standards and interpretations 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	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(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 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)Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e)Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f)Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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, 2021 and 2020 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	2021	2020	Note
The Company	Pegavision Japan Inc.	Selling medical equipment	100.00%	100.00%	None
The Company	Pegavision (Jiangsu) Limited	Producing and Selling medical equipment	100.00%	Not applicable	Note1
The Company	Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	100.00%	100.00%	None
The Company	BeautyTech Platform Corporation	Selling medical equipment	-%	100.00%	Note2
The Company	Mayin Investment Co., Ltd.	Investing activities	100.00%	Not applicable	Note2
Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	Selling medical equipment	100.00%	100.00%	None

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

Mayin Investment Co., Ltd.	BeautyTech Platform Corporation	Selling medical equipment	100.00%	Not applicable	Note2
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling cosmetic Products	55%	Not applicable	Note2
BeautyTech Platform Corporation	Aquamax Vision Corporation	Selling medical equipment	100.00%	100.00%	None

Note 1: The board of directors decided to set up Pegavision (Jiangsu) Limited which is 100% held by the Company at October 26, 2020. The registration was completed at March 15, 2021.

Note 2: To improve the synergy of the Group, the board of directors decided to reorganize and set up the Subsidiaries at July 26, 2021:

(a)The equity of BeautyTech Platform Corporation was transferred to Mayin Investment Co., Ltd. from the Company.
(b)Mayin Investment Co., Ltd. which is 100% held by the Company was registered at August 19, 2021.
(c)FacialBeau International Corporation which is 55% held by Mayin Investment Co., Ltd. was registered at October 22, 2021.

(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.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on 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

<u>Classification between liabilities or equity</u>

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.

<u>Equity instruments</u>

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.

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. The Group applied the practical expedient to all rent concessions that meet the conditions for it.

<u>Group as a lessor</u>

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:

<u>Sale of goods</u>

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.

<u>Current income tax</u>

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.

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.

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

6.CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash and petty cash	$4,149	$3,386
Checkings and savings	380,408	499,385
Time deposit	1,464,408	743,230
Total	$1,848,965	$1,246,001

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

	As of December 31,	
	2021	2020
Mandatorily measured at fair value through profit or loss:		
Money market fund	$67,012	$566,455
Valuation adjustment	16	314
Total	$67,028	$566,769
Current	$67,028	$566,769
Non-current	-	-
Total	$67,028	$566,769

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,	
	2021	2020
Accounts receivable, gross	$642,304	$580,632
Less: loss allowance	(14,971)	(5,917)
Total accounts receivable, net	$627,333	574,715

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

B. Accounts receivable were not pledged.

C. Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is $642,304 thousand and NT$580,632 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6 (15) for more details on loss allowance of accounts receivable for the periods ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(4)Inventory

A. Details of inventory:

	As of December 31,	
	2021	2020
Merchandises	$2,371	$7,672
Raw materials	97,121	32,940
Supplies	4,875	3,018
Work in process	204,760	106,977
Finished goods	264,647	238,798
Total	$573,774	$389,405

B. For the years ended December 31, 2021 and 2020, the Group recognized NT$2,630,738 thousand and NT$1,973,888 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
Item	2021	2020
Loss (Gain) from inventory market decline	$(28,740)	$35,271
Loss from inventory write-off obselencense	23,484	4,207
Total	$(5,256)	$39,478

The Group recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

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

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 1/1/2021	$1,317,564	$69,345	$2,946,116	$980	$72,891	$738,634	$517,323	$5,662,853
Addition	-	-	-	-	963	-	2,356,900	2,357,863
Disposals	-	-	(67,751)	-	(593)	(18,497)	-	(86,841)
Transfer	-	-	1,877,034	525	5,213	155,853	(2,050,714)	(12,089)
Effect of EX rate	-	-	-	-	(39)	(97)	(26)	(162)
As of 12/31/2021	$1,317,564	$69,345	$4,755,399	$1,505	$78,435	$875,893	$823,483	$7,921,624
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
Depreciation and impairment:								
As of 1/1/2021	$-	$8,096	$1,786,630	$698	$60,076	$481,842	$-	$2,337,342
Depreciation	-	4,013	500,814	178	8,995	84,405	-	598,405
Impairment loss	-	15,200	7,947	-	-	868	-	24,015
Disposal	-	-	(67,751)	-	(593)	(18,431)	-	(86,775)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	(40)	(60)	-	(100)
As of 12/31/2021	$-	$27,309	$2,227,640	$876	$68,438	$548,624	$-	$2,872,887

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

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
Net carrying amount:								
As of 12/31/2021	$1,317,564	$42,036	$2,527,759	$629	$9,997	$327,269	$823,483	$5,048,737
As of 12/31/2020	$1,317,564	$61,249	$1,159,486	$282	$12,815	$256,792	$517,323	$3,325,511

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

	As of December 31,	
	2021	2020
Property, plant and equipment	$4,915,392	$3,090,551
Prepayment for equipment	133,345	234,960
Total	$5,048,737	$3,325,511

B.For the years ended December 31, 2021 and 2020, NT$24,015 thousand and NT$19,627 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.

(6)Intangible assets

	Computer software
Cost:	
As of January 1, 2021	$22,776
Additions – acquired separately	-
Transfer	12,089
Derecognized upon retirement	-
As of December 31, 2021	$34,865

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

As of January 1, 2020	$18,087
Additions – acquired separately	-
Transfer	4,689
Derecognized upon retirement	-
As of December 31, 2020	$22,776
Amortization and Impairment:	
As of January 1, 2021	$16,480
Amortization	4,306
Derecognized upon retirement	-
Effect of EX rate	(3)
As of December 31, 2021	$20,783
As of January 1, 2020	$13,551
Amortization	2,929
Derecognized upon retirement	-
As of December 31, 2020	$16,480
Carrying amount, net:	
As of December 31, 2021	$14,082
As of December 31, 2020	$6,296

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2021	2020
Manufacturing expense	$245	$82
Selling expense	771	88
Administrative expense	2,416	2,275
Research and development expense	874	484
Total	$4,306	$2,929

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

(7)Other non-current assets

	As of December 31,	
	2021	2020
Refundable deposits	$68,564	$72,076
Prepayment for equipment	133,345	234,960
Total	$201,909	$307,036

(8)Short-term borrowings

	As of December 31,	
	2021	2020
Unsecured bank loans	$444,866	$367,890
Interest Rate (%)	0.58%~0.80%	0.66%~0.85%

The Group's unused short-term lines of credits amounts to NT$731,964 thousand and NT$817,075 thousand, as at December 31, 2021 and 2020, respectively.

(9)Other payable

	As of December 31,	
	2021	2020
Accrued expenses	$1,119,929	$730,120
Accrued interest payable	278	250
Payable to equipment suppliers	616,213	110,940
Total	$1,736,420	$841,310

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

(10)Other current liabilities

A.Details of other current liabilities

	As of December 31,	
	2021	2020
Other current liabilities	$42,044	$22,858
Refund liability	112,979	135,913
Deferred government grants income	281	65
Total	$155,304	$158,836

B.The changes in the Group's balances of deferred government grants income are as follows:

	For the year ended December 31,	
	2021	2020
Beginning balance	$299	$-
Received during the period	984	320
Released to the statement of comprehensive income	(218)	(21)
Ending Balance	$1,065	$299
Current	$281	$65
Non-current	$784	$234

C.Please refer to Note 6(11) for more details on interest rate of deferred government grants income.

(11)Long-term borrowings

A.Details of long-term borrowings

			As of December 31,		
Debtor	Type of Loan	Maturity	2021	2020	Repayment
Chang Hwa Commercial Bank - Beitou Branch	Credit loan	2020.03.25-2025.03.15	$4,943	$4,919	Notes 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2020.11.10-2030.10.15	9,839	9,786	Notes 2

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

The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2021.04.08-2030.10.15	39,240	-	Note2
Mega International Commercial Bank – Lan-Ya Branch	Credit loan	2021.09.02-2028.09.02	83,049	-	Note3
Mega International Commercial Bank – Lan-Ya Branch	Secured loan	2021.10.08-2026.09.15	4,922	-	Note4
Total			141,993	14,705	
Less: current portion			-	-	
Non-current portion			$141,993	$14,705	

Note 1: A term is defined as every 1 month 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 month 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.

Note 3: A term is defined as every 3 month starting from the initial draw-down date. Grace period is 3 years (12 terms). The rest is repayable in installments of equal amount for 16 terms.

Note 4: A term is defined as every 1 month starting from the initial draw-down date. Grace period is 2 years (24 terms). The rest is repayable in installments of equal amount for 36 terms.

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

	2021	2020
The interest rate intervals(%)	0.90%~1.08%	0.95%

The Group obtained from the Ministry of Economy a low-interest government loan amounting NT$60,000 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, 2021 and 2020 were NT$45,602 thousand and NT$31,814 thousand, respectively.

Pension for the years ended December 31, 2021 and 2020 were NT$9 thousand and NT$16 thousand, respectively.

(13)Equity

A.Common stock

As of December 31, 2021 and 2020, 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. Each share has one voting right and a right to receive dividends.

B.Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital	$1,804,928	$1,804,928
Changes in equity of investment accounted for using equity method	3	-
Total	$1,804,931	$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 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

When the Company distributing distributable earnings, it shall set aside to special reserve, 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 for the adoption of IFRS, 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 from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the 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 special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

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

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

e.The shareholders' meeting of the Company in 2021 was postponed due to the impact of the Covid-19 pandemic.The distribution of earnings reached the statutory approval threshold through electronic voting by June 30, 2021.The appropriations of earnings for the Years 2021 and 2020 were approved through the Board of Directors' meetings and shareholders' meeting held on February 15th, 2022 and July 15th, 2021, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2021	2020	2021	2020
Legal reserve	$124,857	$71,536		
Special reserve	8,224	(1,652)		
Cash dividend	595,000	350,000	$8.5	$5.0
Total	$728,081	$419,884		

Please refer to Note 6(17) for details on employees' compensation and remuneration to directors and supervisors.

D.Non-controlling interests

	For the year ended December 31,	
	2021	2020
Beginning balance	$-	$-
Non-controlling interests increase/(decrease)	22,500	-
Net profit attributable to NCIs	(138)	-
Ending balance	$22,362	$-

(14)Operating revenue

	For the year ended December 31,	
	2021	2020
Revenue from customer contracts		
Sales of goods	$5,595,043	$3,978,413

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

Analysis of revenue from contracts with customers during the years ended December 31, 2021 and 2020 are as follows:

A.Disaggregation of revenue

	For the year ended December 31,	
	2021	2020
	Single department	Single department
Sales of goods	$5,595,043	$3,978,413
The timing for revenue recognition:		
At a point in time	$5,595,043	$3,978,413

B.Contract balances

a.Contract liabilities – current

As of	2021.12.31	2020.12.31	2020.01.01
Sales of goods	$51,556	$64,981	$55,917
Customer loyalty programmes	12,671	15,281	14,848
Total	$64,227	$80,262	$70,765

The changes in the Group’s balances of contract liabilities for the year ended 31 December 2021 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	$(60,710)	$(15,282)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	47,285	12,671

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

The changes in the Group's balances of contract liabilities for the year ended 31 December 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

(15)Expected credit gains (losses)

	For the year ended December 31,	
	2021	2020
Operating expenses – Expected credit gains (losses)		
Accounts receivable	$(9,059)	$(3,554)

A. The Gruop considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

December 31, 2021

	Not past due	Past due <=60 days	Separate assessment	Total
Gross carrying amount	$633,065	$21	$9,218	$642,304
Loss rate	0.91%	1%	100%	
Lifetime expected credit losses	(5,752)	(1)	(9,218)	(14,971)
Carrying amount of accounts receivable	$627,313	$20	$-	$627,333

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

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

B.The movement in the provision for impairment of accounts receivable for the year ended December 31, 2021 and 2020 are as follows:

	Accounts receivable
As of January 1, 2021	$5,917
Addition (reversal)	9,059
Effect of exchange rate changes	(5)
As of December 31, 2021	$14,971
As of January 1, 2020	$2,349
Addition (reversal)	3,554
Effect of exchange rate changes	14
As of December 31, 2020	$5,917

(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.

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

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 1/1/2021	$-	$164,586	$17,793	$2,490	$184,869
Addition	-	193,709	-	-	193,709
Disposals	-	(150,697)	(17,793)	(2,490)	(170,980)
Transfer	-	-	-	-	-
Effect of EX rate	-	(274)	-	-	(274)
As of 12/31/2021	$-	$207,324	$-	$-	$207,324
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
Depreciation and impairment:					
As of 1/1/2021	$-	$62,519	$13,776	$1,840	$78,135
Depreciation	-	49,780	4,017	54	53,851
Impairment loss	-	-	-	-	-
Disposal	-	(62,464)	(17,793)	(1,894)	(82,151)
Transfer	-	-	-	-	-
Effect of EX rate	-	(169)	-	-	(169)
As of 12/31/2021	$-	$49,666	$-	$-	$49,666
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)

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

Transfer	-	-	-	-	-
Effect of EX rate	-	102	-	-	102
As of 12/31/2020	$-	$62,519	$13,776	$1,840	$78,135
Net carrying amount:					
As of 12/31/2021	$-	$157,658	$-	$-	$157,658
As of 12/31/2020	$-	$102,067	$4,017	$650	$106,734

II.Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	$161,503	$106,246
Current	$52,396	$41,846
Non-current	$109,107	$64,400

Please refer to Note 6 (18) (d) for the interest on lease liabilities recognized during the year ended December 31, 2021 and 2020. Please refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2021 and 2020.

b.Income and costs relating to leasing activities

	For th year ended December 31,	
	2021	2020
The expense relating to short-term leases	$(121,170)	$(48,273)
The expense relating to leases of low-value assets	(702)	(1,448)
Income from subleasing right-of-use assets	212	847

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.

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

For the year ended December 31, 2021 and 2020, the Company recognized NT$5,913 thousand and 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

	2021	2020
Cash outflow relating to leases amount	$172,048	$172,413

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

Function / Nature	2021			2020		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	$883,932	$592,159	$1,476,091	$525,867	$470,706	$996,573
Labor and health insurance	76,227	33,577	109,804	48,041	33,114	81,155
Pension	26,094	19,517	45,611	15,681	16,149	31,830
Directors' remuneration	-	19,381	19,381	-	12,532	12,532
Other employee benefit expense	39,216	33,813	73,029	27,231	20,142	47,373
Depreciation	580,225	72,031	652,256	526,051	80,036	606,087
Amortization	246	4,060	4,306	82	2,847	2,929

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.

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

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT$186,084 thousand and NT$16,181 thousand, respectively. 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, recognized as employee benefits.

The Company's Board has determined the employees' compensation and directors' renumeration, all in cash, to be NT$186,084 thousand and NT$16,179 thousand, respectively, in a meeting held on February 15th, 2022. The NT$2 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2021, 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$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.

(18)Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,	
Interest income	2021	2020
Deposit interest	$2,803	$3,569
Financial assets measured at amortized cost	1,667	1,244
Subtotal	$4,470	$4,813

B.Other incomes

	For the year ended December 31,	
	2021	2020
Rent income	$212	$847
Government grants income	218	21
Other income - others	14,044	11,157
Total	$14,474	$12,025

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

C.Other gains and losses

	For the year ended December 31,	
	2021	2020
Gain from disposal of property, plant and equipment	$381	$1,599
Foreign exchange gain (loss), net	(7,864)	(3,026)
Gains (losses) on financial assets at fair value through profit or loss	360	947
Gains (losses) on lease modification	710	160
Impairment loss on non-financial assets	(24,015)	(19,627)
Other losses	(114)	(3,767)
Total	$(30,542)	$(23,714)

D.Finance costs

	For the year ended December 31,	
	2021	2020
Interests on borrowings from bank	$3,101	$2,324
Interest on lease liabilities	1,358	1,634
Total	$4,459	$3,958

(19)Components of other comprehensive income (loss)

For the year ended December 31, 2021

	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	$(8,224)	$-	$(8,224)	$-	$(8,224)

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

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

(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,	
	2021	2020
Current income tax expense (income):		
Current income tax expense	$211,192	$138,220
Adjustments in respect of current income tax of prior periods	(19,246)	(13,522)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,555	4,797
Total income tax expense (income)	$195,501	$129,495

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

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,	
	2021	2020
Accounting profit before tax from continuing operations	$1,443,937	$844,854
Tax payable at the enacted tax rates	$298,273	$180,450
Tax effect of income tax-exempted	(1,293)	(294)
Tax effect of expenses not deductible for tax purposes	41	78
Tax effect of deferred tax assets/liabilities	31,104	26,607
Surtax on undistributed earnings	14,774	12,419
Adjustments in respect of current income tax of prior periods	(19,246)	(13,522)
Operating loss for income tax deduction	4,934	-
Other adjustments according to the Tax Law	(133,086)	(76,243)
Total income tax expense (income) recognized in profit or loss	$195,501	$129,495

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

For the year ended December 31, 2021

	Beginning balance as of Jan. 1, 2021	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, 2021
Temporary differences					
Unrealized loss on inventory valuation	$14,035	$(2,478)	$-	$-	$11,557
Unrealized exchange loss (gain)	(5,039)	6,186	-	-	1,147
Other	(17,726)	(7,263)	-	(71)	(25,060)

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

Deferred tax income/ (expense)		$(3,555)	$-	$(71)	
Net deferred tax assets/(liabilities)	$(8,730)				$(12,356)
Reflected in balance sheet as follows:					
Deferred tax assets	$14,636				$13,305
Deferred tax liabilities	$23,366				$25,661

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	$-	$-	$14,035
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

D.Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$133,662 thousand and NT$97,797 thousand, respectively.

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

E.The assessment of income tax return

	The assessment of income tax return
The Company	Assessed and approved up to 2019.
Subsidiary – BeautyTech Platform Corporation	The first-time assessment of 2020 has not yet been approved.
Subsidiary - Mayin Investment Co., Ltd.	The registration was completed at August 19, 2021. So there is no income tax declaration.
Subsidiary – FacialBeau International Corporation	The registration was completed at October 22, 2021. 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.

A.Basic earnings per share

	For the year ended December 31,	
	2021	2020
Net income available to common shareholders of the parent	$1,248,574	$715,359
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Basic earnings per share (in NT$)	$17.84	$10.22

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

B.Diluted earnings per share

	For the year ended December 31,	
	2021	2020
Net income available to common shareholders of the parent	$1,248,574	$715,359
Net income available to common shareholders of the parent after dilution	$1,248,574	$715,359
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	470	429
Weighted average number of common stocks outstanding after dilution (in thousand shares)	70,470	70,429
Diluted earnings per share (in NT$)	$17.72	$10.16

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	Relation
Pegatron Corporation	Ultimate parent company
Kinsus Interconnect Technology Corp.	Parent company
Pegatron Japan Inc.	Other related party
Pegatron Czech S.R.O.	Other related party

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

(2)Significant transactions with related parties

A.Lease-related parties

a.Right-of-use assets

		As of December 31,	
Related parties	Nture	2021	2020
PEGATRON JAPAN INC.	Buildings	$1,164	$635

b.Lease liabilities

	As of December 31,	
Related parties	2021	2020
PEGATRON JAPAN INC.	$1,165	$643

c.Lease payment (Rental expense)

		For the year ended December 31,	
Related parties	Nature	2021	2020
Pegatron Corporation	Buildings	$100,846	$38,369
Pegatron Corporation	Other equipments	-	625
Total		$100,846	$38,994

d.Interest expenses

	For the year ended December 31,	
Related parties	2021	2020
Pegatron Corporation	$-	$248
Other related parties	6	14
Total	$6	$262

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

C.Operating expense

Related parties	Nature	For the year ended December 31, 2021	2020
Pegatron Corporation	Provide services	$331	$361
Pegatron Corporation	Pay utilities	$93,649	$69,793
Pegatron Japan Inc.	Provide services and pay utilities and postage	$265	$128
Pegatron Czech S.R.O.	Provide services	$94	$85

D.Refundable deposits

Related parties	As of December 31, 2021	2020
Pegatron Corporation	$10,000	$10,000

E.Contract Liabilities

Related parties	As of December 31, 2021	2020
Kinsus Interconnect Technology Corp.	$60	$-

F.Other payables

Related parties	As of December 31, 2021	2020
Pegatron Corporation	$33,981	$19,705
PEGATRON JAPAN INC.	-	9
PEGATRON CZECH S.R.O	26	-
Total	$34,007	$19,714

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

G.Salaries and rewards to key management of the Group

	For the year ended December 31,	
Related parties	2021	2020
Short-term employee benefits and post-employment benefits	$17,548	$13,360

8.PLEDGED ASSETS

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

	Carrying Amount As of December 31,		
Item	2021	2020	Secured liabilities
Property, plant and equipment - Buildings (carrying amount)	$42,036	61,249	Secured borrowings
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	$44,036	$63,249	

9.SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2021, 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	$1,640,582	$668,059	$972,523
Machinery and equipment	42,820	20,350	22,470
	$1,683,402	$688,409	$994,993

10.SIGNIFICANT DISASTER LOSS

None

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

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1)Categories of financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$67,028	$566,769
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	1,844,815	1,242,615
Accounts receivables	627,333	574,715
Other receivables	6,708	3,680
Refundable deposits	68,564	72,076
Subtotal	2,547,420	1,893,086
Total	$2,614,448	$2,459,855

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Short-term borrowings	$444,866	$367,890
Payables	1,939,156	985,954
Long-term borrowings(including current portion with maturity less than 1 year)	141,993	14,705
Lease liabilities	161,503	106,246
Total	$2,687,518	$1,474,795

(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.

<u>Foreign currency risk</u>

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, 2021 and 2020 would decrease/increase by NT$1,563 thousand and NT$1,797 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, net income (loss) for the the year ended December 31, 2021 and 2020 would decrease/increase by NT$769 thousand and NT$1,887 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, 2021 and 2020 would increase /decrease by NT$523 thousand and decrease/increase by NT$488 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, 2021 and 2020, receivables from the top ten customers were accounted for 71.14% and 69.22% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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.

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

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, 2021							
Borrowings	$446,693	$5,050	$7,004	$20,449	$25,060	$91,489	$595,745
Payables	1,939,156	-	-	-	-	-	1,939,156
Lease Liabilities	53,668	41,761	28,400	19,691	8,216	12,964	164,700
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

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	$367,890	$14,705	$645	$106,246	$489,486
Cash flows	76,976	128,580	(130)	(50,176)	155,250
Non-cash changes					
Lease range changes	-	-	-	104,170	104,170
Interests on lease liabilities	-	-	-	1,358	1,358
Others	-	(1,292)	-	-	(1,292)
Currency rate change	-	-	-	(95)	(95)
As of December 31, 2021	$444,866	$141,993	$515	$161,503	$748,877

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

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

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities (Note)	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

(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, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Money market fund	$67,028	$-	$-	$67,028
Financial liabilities:				
None				

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				

(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,					
	2021			2020		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
Financial assets						
Monetary items:						
USD	$24,770	27.871	$690,362	$19,286	28.497	$549,593
CNY	$27,519	4.342	$119,488	50,319	4.367	$219,759
Financial liabilities						
Monetary items:						
USD	$19,294	27.683	$534,106	$12,981	28.497	$369,915
CNY	$9,809	4.342	$42,588	$7,120	4.367	$31,097
Foreign currencyresulting in exchange gain or loss						
USD			$(4,252)	USD		$(9,839)
CNY			$1,523	CNY		$7,385
Other			$(5,135)	Other		$(572)

(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, 2021(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, 2021: 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, 2021: 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, 2021: 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, 2021: 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, 2021: Please refer to attachment 5.

I.Derivative instrument transactions: None.

J.InterGroup relationships and significant interGroup transactions for the year ended December 31, 2021: 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, 2021 (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, 2021: 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, 2021: 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, 2021: 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, 2021: 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 2021: 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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2021	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 (USD 3,600)	(1)	$112,559	$-	$-	$112,559	$2,613 (Note 3 and 4)	100%	$2,613 (Note 3, 4 and 5)	$108,184 (Note 3, 4 and 5)	$-	$112,559	$112,559	$3,305,056
Gemvision Technology (Zhejiang) Limited	Selling medical equipment	$95,523 (RMB 22,000) (Note 3)	(3) (Note 2)	$-	$-	$-	$-	$(9,923) (Note 3 and 4)	100%	$(9,923) (Note 3, 4 and 5)	$82,810 (Note 3, 4 and 5)	$-	$-	$-	

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

Pegavision (Jiangsu) Limited	Producing and selling medical equipment	$85,620 (USD 3,000)	(1)	$-	$85,620	$-	$85,620	$(5,205) (Note 3 and 4)	100%	$(5,205) (Note 3, 4 and 5)	$80,387 (Note 3, 4 and 5)	$-	$85,620	$85,620	

Note 1: The investment methods are divided into the following three types, just indicate the types:

(1) Go directly to the mainland China for investment.

(2) Reinvest in mainland China through a third-region company.

(3) Other methods.

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

Note 5: 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, 2021: None.

b.Sale and balance of related accounts receivable as of December 31, 2021:

	Sales		Account Receivable	
	Amont	Percentage of the net sales	Amont	Percentage of the Account Receivable
Pegavision Contact Lenses (Shanghai) Corporation	$40,036	0.78%	$-	-%
Gemvision Technology (Zhejiang) Limited	211,692	4.10%	85,662	9.99%

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:

Variety	Related parties	Carrying Value	Price	Gain on disposal	Reference basis for price decision
Machinery	Pegavision (Jiangsu) Limited	$-	$-	$-	Gift

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%
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,	
	2021	2020
Taiwan	$637,515	$662,660
Other Asian countries	4,585,211	3,060,733
Other countries	372,317	255,020
Total	$5,595,043	$3,978,413

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

Non-current assets

	As of December 31,	
	2021	2020
Taiwan	$5,108,794	$3,421,328
China	107,144	15,360
Japan	1,164	635
U.S.A	3,375	1,218
Total	$5,220,477	$3,438,541

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	2021	2020
Customer A	$1,118,525	$435,637
Customer B	909,188	Note2

Note2: No Disclosure due to Individual customer's sale accounted less than 10% of consolidated net sale

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Pegavision Corporation and Subsidiaries

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2021

Attachment 1

(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										
-	-	-	-	-	$-	$-	$-	$-	-%	-	-	-	-

Note 1: The Company is coded "0".

Note 2: The endorsement and guaranteed amount of the Company and the consolidated subsidiary is NT$2,000 thousand.

Pegavision Corporation and Subsidiaries

Marketable Securities Held as of December 31, 2021 (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:							
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	3,556,527	$55,012		$55,024	
Mayin Investment Co. , Ltd.	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	946,873	12,000		12,004	
	Add: Valuation Adjustment				16			
	Total				$67,028		$67,028	

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, 2021

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	-	-	33,387,513	$509,270	28,763,573	$439,000	62,151,086	$948,577	$948,270	$307	-	$-

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, 2021

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	$1,850,825	35.85%	90 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable $301,885	35.20%	Note
									Contract liability $(18,222)	75.93%	Note
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	Sales	$411,064	7.96%	Within 120 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable $139,387	16.25%	Note
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	Sales	$211,692	4.10%	Within 180 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable $85,662	9.99%	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, 2021

Attachment 5

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss allowance
					Amount	Action Taken		
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	$301,885 (Note)	5.64	$-	-	$139,092	$-
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	$139,387 (Note)	5.82	$-	-	$-	$-

Note : 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, 2021

Attachment 6

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of September 30, 2021			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of Sep. 30, 2021	As of December 31, 2020	Shares	%	Carrying Value			
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	JPY9,900	JPY9,900	198 shares	100.00%	$59,801	$21,134	$21,134	Note
Pegavision Corporation	BeautyTech Platform Corporation	Taiwan	Selling medical equipment	- Note1	NTD 40,000	-	-	$- Note1	$18,766	$(26,011)	Note
Pegavision Corporation	Mayin Investment Co. , Ltd.	Taiwan	Investing activities	NTD 120,003	-	12,000,000 shares	100.00%	$164,344	$44,525	$44,525	Note
Mayin Investment Co. , Ltd.	BeautyTech Platform Corporation	Taiwan	Selling medical equipment	NTD 40,000	- Note1	4,000,000 shares	100.00%	$56,036	$18,766	$44,777	Note
Mayin Investment Co. , Ltd.	FacialBeau International Corporation	Taiwan	Selling cosmetic products	NTD 27,500	-	2,750,000 shares	55.00%	$27,331	$(307)	$(169)	Note
BeautyTech Platform Corporation	Aquamax Vision Corporation	USA	Selling medical equipment	USD 1,100	USD 600	11,000,000 shares	100.00%	$12,346	$(16,325)	$(16,325)	Note

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

Note1: To improve the synergy of the Group, the equity of BeautyTech Platform Corporation was transferred to Mayin Investment Co. , Ltd. from the Company.

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, 2021

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	$1,850,825	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable $283,663	100.00%	Note
BeautyTech Platform Corporation	Pegavision Corporation	Subsidiary	Purchase	$411,064	96.97%	Within 120 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable $139,387	99.40%	Note
Gemvision Technology (Zhejiang) Limited	Pegavision Corporation	Subsidiary	Purchase	$211,692	100.00%	Within 180 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable $85,662	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, 2021

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)
	2021.01.01~2021.12.31						
0	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	$1,850,825	90 days after monthly closing	33.08%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	301,885	90 days after monthly closing	3.52%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Contract liabilities	18,222	-	0.21%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Other payable	34	-	-
0	Pegavision Corporation	Pegavision Contact Lenses (Shanghai) Corporation	1	Sales revenue	40,036	Within 180 days after monthly closing	0.72%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Sales revenue	211,692	Within 180 days after monthly closing	3.78%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	85,662	Within 180 days after monthly closing	1.00%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Sales revenue	411,064	Within 120 days after monthly closing	7.35%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other operating income	114,380	Within 120 days after monthly closing	2.04%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Operating expense	16,357	Within 120 days after monthly closing	0.29%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Rent income	10,881	Within 120 days after monthly closing	0.19%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other income	3	Within 120 days after monthly closing	-
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Accounts receivable	139,387	Within 120 days after monthly closing	1.63%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other receivable	328	Within 120 days after monthly closing	-
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other payable	18,848	30 days after monthly closing	0.22%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Deposits received	4	-	-
0	Pegavision Corporation	Aqumax Vision Corporation	1	Sales revenue	11,234	Within 120 days after monthly closing	0.20%
0	Pegavision Corporation	Aqumax Vision Corporation	1	Accounts receivable	11,250	Within 120 days after monthly closing	0.13%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Operating expense	2,456	Within 120 days after monthly closing	0.04%
1	Aquamax Corporation	Aqumax Vision Corporation	3	Sales revenue	453	Within 120 days after monthly closing	0.01%
1	Aquamax Corporation	Aqumax Vision Corporation	3	Accounts receivable	453	Within 120 days after monthly closing	0.01%
2	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Other operating income	29,609	Within 180 days after monthly closing	0.53%
2	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Accounts receivable	2,547	Within 180 days after monthly closing	0.03%

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, 2021 AND 2020
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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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$5,162,463 thousand for the year ended December 31, 2021 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, Asia, America, 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$406,315 thousand, representing 5% of total assets, as of December 31, 2021, 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 2021 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
February 15th, 2022

Notice to Readers

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

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

Pegavision Corporation

Parent-Company-Only Balance Sheets

As of December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2021		2020	
Code	Accounts	Notes	Amount	%	Amount	%
11XX	Current assets					
1100	Cash and cash equivalents	4,6(1)	$1,447,272	18	$952,903	15
1110	Financial assets at fair value through profit or loss	4,6(2)	55,024	1	566,769	9
1170	Accounts receivable, net	4,6(3)	319,381	4	258,283	4
1180	Accounts receivable - related parties, net	4,6(3),7	538,184	6	582,063	9
1200	Other receivables		5,348	-	3,680	-
1210	Other receivables - related parties	7	328	-	-	-
1310	Inventories, net	4,6(4)	406,315	5	291,848	5
1410	Prepayments		56,212	1	42,177	1
1470	Other current assets		26,302	-	26,309	-
11XX	Total current assets		2,854,366	35	2,724,032	43
15XX	Non-current assets					
1550	Investment accounted for under equity method	4,6(5)	281,810	3	54,156	1
1600	Property, plant and equipment, net	4,6(6),8	4,905,796	60	3,085,192	49
1755	Right-of-use assets, net	4,6(17)	-	-	95,539	2
1780	Intangible assets, net	4,6(7)	11,550	-	6,296	-
1840	Deferred tax assets	4,6(21)	12,704	-	14,035	-
1900	Other non-current assets	6(6),6(8),7,8,9	122,898	2	303,997	5
15XX	Total non-current assets		5,334,758	65	3,559,215	57
1XXX	Total Assets		$8,189,124	100	$6,283,247	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, 2021 and 2020
(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2021		2020	
Code	Accounts	Notes	Amount	%	Amount	%
21XX	Current liabilities					
2100	Short-term borrowings	6(9)	$444,866	5	$367,890	6
2130	Contract liabilities	6(15), 7	24,000	-	39,635	1
2150	Notes payable		2,216	-	554	-
2170	Accounts payable		199,583	3	144,089	2
2200	Other payables	6(10), 7	1,640,762	20	805,619	13
2230	Current tax liabilities	4,6(21)	99,171	1	62,274	1
2280	Lease liabilities	4,6(17)	-	-	38,317	-
2300	Other current liabilities	6(11),6(12),7,8	123,619	2	132,320	2
21XX	Total current liabilities		2,534,217	31	1,590,698	25
25XX	Non-current liabilities					
2540	Non-current portion of long-term borrowings	6(12),8	141,993	2	14,705	-
2570	Deferred tax liabilities	4,6(21)	25,661	-	23,366	1
2580	Lease liabilities	4,6(17)	-	-	57,895	1
2645	Guarantee deposits received	7	404	-	634	-
2670	Other non-current liabilities	6(11)	784	-	234	-
25XX	Total non-current liabilities		168,842	2	96,834	2
2XXX	Total liabilities		2,703,059	33	1,687,532	27
3100	Capital	6(14)				
3110	Common stock		700,000	9	700,000	11
3200	Capital surplus	6(14)	1,804,931	22	1,804,928	29
3300	Retained earnings	6(14)				
3310	Legal reserve		242,715	3	171,179	3
3320	Special reserve		8,143	-	9,795	-
3350	Unappropriated retained earnings		2,746,643	33	1,917,956	30
3400	Other equity interest		(16,367)	-	(8,143)	-
3XXX	Total equity		5,486,065	67	4,595,715	73
	Total liabilities and equity		$8,189,124	100	$6,283,247	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, 2021 and 2020
(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2021 Amount	2021 %	2020 Amount	2020 %
4000	Operating revenue	4,6(15),7	$5,162,463	100	$3,836,666	100
5000	Operating costs	6(3),7	(2,685,241)	(52)	(1,985,728)	(52)
5900	Gross profit from operations		2,477,222	48	1,850,938	48
5910	Unrealized gross profit (loss) from sales		4,642	-	(72,165)	(2)
	Gross profit from operations		2,481,864	48	1,778,773	46
6000	Operating expenses	7				
6100	Selling expenses		(266,304)	(5)	(417,648)	(11)
6200	Administrative expenses		(268,506)	(5)	(176,322)	(4)
6300	Research and development expenses		(546,642)	(11)	(374,460)	(10)
6450	Expected credit gains (losses)	6(16)	(7,873)	-	(3,223)	-
	Operating expenses total		(1,089,325)	(21)	(971,653)	(25)
6900	Operating income		1,392,539	27	807,120	21
7000	Non-operating income and expenses	6(19)				
7100	Interest income		3,429	-	4,157	-
7010	Other income		15,803	-	11,791	-
7020	Other gains and losses		(29,767)	-	(25,654)	-
7050	Finance costs		(3,206)	-	(3,789)	-
7060	Share of profit or loss of subsidiaries, associates and joint ventures	4,6(5)	37,056	-	22,906	-
	Non-operating income and expense total		23,315	-	9,411	-
7900	Income from continuing operations before income tax		1,415,854	27	816,531	21
7950	Income tax	4,6(21)	(167,280)	(3)	(101,172)	(2)
8200	Net income		1,248,574	24	715,359	19
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		(8,224)	-	1,651	-
	Total other comprehensive income, net of tax		(8,224)	-	1,651	-
8500	Total comprehensive income		$1,240,350	24	$717,010	19
9750	Earnings per share - basic (in NT$)	4,6(22)	$17.84		$10.22	
9850	Earnings per share - diluted (in NT$)	4,6(22)	$17.72		$10.16	

(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, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Items	Capital	Capital Surplus	Retained Earnings			Other Components of equity	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	
Code		3100	3200	3310	3320	3350	3410	3XXX
A1	Balance as of January 1, 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
A1	Balance as of January 1, 2021	$700,000	$1,804,928	$171,179	$9,795	$1,917,956	$(8,143)	$4,595,715
	Appropriation and distribution of 2020 earnings:							
B1	Legal reserve appropriated			71,536		(71,536)		-
B3	Special reserve appropriated				(1,652)	1,652		-
B5	Cash dividends - common shares					(350,000)		(350,000)
D1	Net income for 2021					1,248,574		1,248,574
D3	Other comprehensive income (loss) for 2021						(8,224)	(8,224)
D5	Total comprehensive income	-	-	-	-	1,248,574	(8,224)	1,240,350
H3	Reorganization		3			(3)		-
Z1	Balance as of December 31, 2021	$700,000	$1,804,931	$242,715	$8,143	$2,746,643	$(16,367)	$5,486,065

(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, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2021	2020
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$1,415,854	$816,531
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation (including right-of-use assets)	603,226	598,538
A20200	Amortization	4,047	2,929
A20300	Expected credit losses (gain)	7,873	3,223
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(356)	(947)
A20900	Interest expense	3,206	3,789
A21200	Interest income	(3,429)	(4,157)
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	(37,056)	(22,906)
A22500	Loss on disposal of property, plant and equipment	(447)	(1,599)
A23700	Impairment loss on non-financial assets	24,015	19,627
A23900	Unrealized (gains) losses	(4,642)	72,165
A29900	Loss (gain) on lease modification	(690)	(160)
A29900	Loss (gain) on government grants	(218)	(21)
A30000	Changes in operating assets and liabilities:		
A31115	Financial assets at fair value through profit or loss	512,101	(249,702)
A31150	Accounts receivable	(68,971)	(168,509)
A31160	Accounts receivable - related parties	43,879	(259,589)
A31180	Other receivables	(1,745)	(1,330)
A31190	Other receivables - related parties	(328)	-
A31200	Inventories	(114,467)	210,949
A31230	Prepayments	(14,035)	(23,295)
A31240	Other current assets	7	(17,000)
A32125	Contract liabilities	(15,635)	8,187
A32130	Notes payable	1,662	(3,176)
A32150	Accounts payable	55,494	44,470
A32180	Other payables	332,739	137,679
A32230	Other current liabilities	(8,917)	46,179
A33000	Cash generated from operations	2,733,167	1,211,875
A33100	Interest received	3,506	4,145
A33300	Interest paid	(3,381)	(2,151)
A33500	Income tax paid	(126,757)	(55,290)
AAAA	Net cash provided by (used in) operating activities	2,606,535	1,158,579

Code	Items	2021	2020
BBBB	Cash flows from investing activities:		
B01800	Acquisition of investment accounted for under equity method	(194,180)	(40,000)
B01900	Proceeds from disposal of investment accounted for under equity method	-	775
B02700	Acquisition of property, plant and equipment	(1,779,133)	(709,244)
B02800	Proceeds from disposal of property, plant and equipment	447	1,599
B03700	Decrease (increase) in refundable deposits	23,170	(5,441)
B04500	Acquisition of intangible assets	(9,301)	(4,689)
BBBB	Net cash provided by (used in) investing activities	(1,958,997)	(757,000)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term borrowings	76,976	238,976
C01600	Increase in long-term borrowings	128,580	15,000
C03000	Increase in guarantee deposits received	(230)	(128)
C04020	Payments of lease liabilities	(8,495)	(117,225)
C04500	Cash dividends paid	(350,000)	(175,000)
CCCC	Net cash provided by (used in) financing activities	(153,169)	(38,377)
EEEE	Net Increase (decrease) in cash and cash equivalents	494,369	363,202
E00100	Cash and cash equivalents at beginning of period	952,903	589,701
E00200	Cash and cash equivalents at end of period	$1,447,272	$952,903

(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 February 15^{th}, 2022.

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, 2021. The adoption of these new standards and amendments had no material impact on the company.

(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	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) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The Company assesses all standards and interpretations 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	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(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 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)Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e)Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f)Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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 all standards and interpretations have no material impact on the Company.

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, 2021 and 2020 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.

Financial assets measured at amortized cost

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.

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 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.

(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,	
	2021	2020
Cash and petty cash	$1,435	$3,151
Checkings and savings	115,937	227,522
Time deposit	1,329,900	722,230
Total	$1,447,272	$952,903

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

	As of December 31,	
	2021	2020
Mandatorily measured at fair value through profit or loss:		
Money market fund	$55,012	$566,455
Valuation adjustment	12	314
Total	$55,024	$566,769
Current	$55,024	$566,769
Non-current	-	-
Total	$55,024	$566,769

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,	
	2021	2020
Accounts receivable, gross	$332,336	$263,365
Less: loss allowance	(12,955)	(5,082)
Net of allowances	319,381	258,283

Accounts receivable - related parties, gross	538,184	582,063
Less: loss allowance	-	-
Net of allowances	538,184	582,063
Total accounts receivable, net	$857,565	$840,346

B.Accounts receivable were not pledged.

C.Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is NT$870,520 thousand and NT$845,428 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(16) for more details on loss allowance of accounts receivable for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(4)Inventory

A.Details of inventory:

	As of December 31,	
	2021	2020
Merchandises	$-	$7,672
Raw materials	97,121	32,940
Supplies	4,875	3,018
Work in process	204,759	106,977
Finished goods	99,560	141,241
Total	$406,315	$291,848

B.For the years ended December 31, 2021 and 2020, the Company recognized NT$2,685,241 thousand and NT$1,985,728 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
Item	2021	2020
Loss (Gain) from inventory market decline	$(14,184)	$19,425
Loss from inventory write-off obselencense	23,484	4,207
Total	$9,300	$23,632

The Company recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

C.The inventories were not pledged.

(5)Investments accounted for under the equity method

	As of December 31,				
	2021		2020		Note
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership	
Investments in subsidiaries:					
Mayin Investment Co., Ltd.	$164,344	100%	$-	-%	Note 1
Pegavision Japan Inc.	59,801	100%	45,842	100%	
BeautyTech Platform Corporation	-	-%	37,675	100%	
Pegavision Contact Lenses (Shanghai) Corporation	108,184	100%	106,187	100%	Note 1
Pegavision (Jiangsu) Limited	80,387	100%	-	-%	Note 2
Unrealized profit	(130,906)		(135,548)		
Total	$281,810		$54,156		

Note 1: To improve the synergy of the Group, the board of directors decided to reorganize and set up the Subsidiaries at July 26, 2021:

(a)The equity of BeautyTech Platform Corporation was transferred to Mayin Investment Co., Ltd. from the Company.

(b)Mayin Investment Co., Ltd. which is 100% held by the Company was registered at August 19, 2021.

Note 2: The board of directors decided to set up Pegavision (Jiangsu) Limited which is 100% held by the Company at October 26, 2020. The registration was completed at March 15, 2021.

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 1/1/2021	$1,317,564	$69,345	$2,946,116	$980	$72,088	$728,781	$516,428	$5,651,302
Addition	-	-	-	-	-	-	2,290,810	2,290,810
Disposals	-	-	(67,751)	-	(593)	(17,459)	-	(85,803)
Transfer	-	-	1,877,034	525	5,003	149,100	(2,040,963)	(9,301)
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2021	$1,317,564	$69,345	$4,755,399	$1,505	$76,498	$860,422	$766,275	$7,847,008
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
Depreciation and impairment:								
As of 1/1/2021	$-	$8,096	$1,786,630	$698	$59,627	$476,995	$-	$2,332,046
Depreciation	-	4,013	500,814	178	8,723	81,091	-	594,819
Impairment loss	-	15,200	7,947	-	-	868	-	24,015
Disposal	-	-	(67,751)	-	(593)	(17,459)	-	(85,803)
Transfer	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2021	$-	$27,309	$2,227,640	$876	$67,757	$541,495	$-	$2,865,077

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
Net carrying amount:									
As of 12/31/2021	$1,317,564	$42,036	$2,527,759	$629	$8,741	$318,927		$766,275	$4,981,931
As of 12/31/2020	$1,317,564	$61,249	$1,159,486	$282	$12,461	$251,786		$516,428	$3,319,256

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

	As of December 31,	
	2021	2020
Property, plant and equipment	$4,905,796	$3,085,192
Prepayment for equipment	76,135	234,064
Total	$4,981,931	$3,319,256

B.For the years ended December 31, 2020 and 2021, NT$24,015 thousand and NT$19,627 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, 2021	$22,776
Additions – acquired separately	-
Transfer	9,301
Derecognized upon retirement	-
As of December 31, 2021	$32,077

As of January 1, 2020	$18,087
Additions – acquired separately	-
Transfer	4,689
Derecognized upon retirement	-
As of December 31, 2020	$22,776
Amortization and Impairment:	
As of January 1, 2021	$16,480
Amortization	4,047
Derecognized upon retirement	-
As of December 31, 2021	$20,527
As of January 1, 2020	$13,551
Amortization	2,929
Derecognized upon retirement	-
As of December 31, 2020	$16,480
Carrying amount, net:	
As of December 31, 2021	$11,550
As of December 31, 2020	$6,296

Amounts of amortization recognized for intangible assets are as follows.

	For the year ended December 31,	
	2021	2020
Manufacturing expense	$245	$82
Selling expense	532	88
Administrative expense	2,396	2,275
Research and development expense	874	484
Total	$4,047	$2,929

(8)Other non-current assets

	As of December 31,	
	2021	2020
Refundable deposits	$46,763	$69,933
Prepayment for equipment	76,135	234,064
Total	$122,898	$303,997

(9)Short-term borrowings

	As of December 31,	
	2021	2020
Unsecured bank loans	$444,866	$367,890
Interest Rate (%)	0.58%~0.80%	0.66%~0.85%

The Company’s unused short-term lines of credits amounts to NT$731,964 thousand and NT$817,075 thousand, as at December 31, 2021 and 2020, respectively.

(10)Other payable

	As of December 31,	
	2021	2020
Accrued expenses	$1,027,168	$694,429
Accrued interest payable	278	250
Payable to equipment suppliers	613,316	110,940
Total	$1,640,762	$805,619

(11)Other current liabilities

A.Details of other current liabilities

	As of December 31,	
	2021	2020
Other current liabilities	$24,161	$22,224
Refund liability	99,177	110,031

Deferred government grants income	281	65
Total	$123,619	$132,320

B.The changes in the Company's balances of deferred government grants income are as follows:

	For the year ended December 31,	
	2021	2020
Beginning balance	$299	$-
Received during the period	984	320
Released to the statement of comprehensive income	(218)	(21)
Ending Balance	$1,065	$299
Current	$281	$65
Non-current	$784	$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	2021	2020	Repayment
Chang Hwa Commercial Bank - Beitou Branch	Credit loan	2020.03.25-2025.03.15	$4,943	$4,919	Notes 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2020.11.10-2030.10.15	9,839	9,786	Notes 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2021.04.08-2030.10.15	39,240	-	Notes 2
Mega International Commercial Bank – Lan-Ya Branch	Credit loan	2021.09.02-2028.09.02	83,049	-	Notes 3
Mega International Commercial Bank – Lan-Ya Branch	Secured loan	2021.10.08-2026.09.15	4,922	-	Notes 4
Total			141,993	14,705	

Less: current portion	-	-
Non-current portion	$141,993	$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.

Note 3: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 3 years (12 terms). The rest is repayable in installments of equal amount for 16 terms.

Note 4: 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 36 terms.

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

	2021	2020
The interest rate intervals (%)	0.90%~1.08%	0.95%

The Company obtained from the Ministry of Economy a low-interest government loan amounting NT$60,000 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

<u>Defined contribution plan</u>

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, 2021 and 2020 are NT$42,302 thousand and NT$31,342 thousand, respectively.

Pension for the years ended December 31, 2021 and 2020 were NT$9 thousand and NT$16 thousand, respectively.

(14)Equity

A.Common stock

As of December 31, 2021 and 2020, 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.

B.Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital	$1,804,928	$1,804,928
Changes in equity of investment accounted for using equity method	3	-
Total	$1,804,931	$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

When the Company distributing distributable earnings, it shall set aside to special reserve, 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 for the adoption of IFRS, 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 from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the 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 special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

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

e.The shareholder’s meeting of the Company in 2021 was postponed due to the impact of the Covid-19 pandemic.The distrinution of earnings reached the statutory approval threshold through electronic voting by June 30, 2021. The appropraitions of earnings for the Years 2021 and 2020 were approved through the Board of Directors’ meetings and shareholders’ meetings held on February 15th, 2022 and July 15th, 2021, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2021	2020	2021	2020
Legal reserve	$124,857	$71,536		
Special reserve	8,224	(1,652)		
Cash dividend	595,000	350,000	$8.5	$5.0
Total	$728,081	$419,884		

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,	
	2021	2020
Revenue from customer contracts		
Sales of goods	$5,162,463	$3,836,666

Analysis of revenue from contracts with customers are as follows:

A.Disaggregation of revenue

	For the year ended December 31,	
	2021	2020
	Single department	Single department
Sales of goods	$5,162,463	$3,836,666

The timing for revenue recognition:		
At a point in time	$5,162,463	$3,836,666

B.Contract balances

a.Contract liabilities – current

As of	2021.12.31	2020.12.31	2020.01.01
Sales of goods	$24,000	$24,374	$16,600
Customer loyalty programmes	-	15,261	14,848
Total	$24,000	$39,635	$31,448

The changes in the Company's balances of contract liabilities for the year ended December 31, 2021 are as follows:

	Sales of goods	Customer loyalty programmes
The opening balance transferred to revenue	$(24,292)	$(15,261)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	23,918	-

The changes in the Company's balances of contract liabilities for the year ended December 31, 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

(16)Expected credit gains (losses)

	For the year ended December 31,	
	2021	2020
Operating expenses - Expected credit gains (losses)		
Accounts receivable	$(7,873)	$(3,223)

A. The Company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

December 31, 2021

		Past due		
	Not past due	<=60 days	Separate assessment	Total
Gross carrying amount	$863,040	$-	$7,480	$870,520
Loss rate	0.63%	0%	100%	
Lifetime expected credit losses	(5,475)	-	(7,480)	(12,955)
Carrying amount of accounts receivable	$857,565	$-	$-	$857,565

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

B. The movement in the provision for impairment of accounts receivable for the years 2021 and 2020 are as follows:

	Accounts receivable
As of January 1, 2021	$5,082
Addition (reversal)	7,873
As of December 31, 2021	$12,955
As of January 1, 2020	$1,859
Addition (reversal)	3,223
As of December 31, 2020	$5,082

(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 1/1/2021	$-	$145,884	$17,793	$2,490	$166,167
Addition	-	26	-	-	26
Disposals	-	(145,910)	(17,793)	(2,490)	(166,193)
Transfer	-	-	-	-	-
As of 12/31/2021	$-	$-	$-	$-	$-
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
Depreciation and impairment:					
As of 1/1/2021	$-	$55,012	$13,776	$1,840	$70,628
Depreciation	-	4,336	4,018	53	8,407
Impairment loss	-	-	-	-	-
Disposals	-	(59,348)	(17,794)	(1,893)	(79,035)
Transfer	-	-	-	-	-
As of 12/31/2021	$-	$-	$-	$-	$-

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
Net carrying amount:					
As of 12/31/2021	$-	$-	$-	$-	$-
As of 12/31/2020	$-	$90,872	$4,017	$650	$95,539

II.Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	$-	$96,212
Current	$-	$38,317
Non-current	$-	$57,895

Please refer to Note 6 (19)(d) for the interest on lease liabilities recognized during the year ended December 31, 2021 and 2020 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2021 and 2020.

b.Income and costs relating to leasing activities

	For the year ended December 31,	
	2021	2020
The expenses relating to short-term leases	$(109,345)	$(48,273)
The expenses relating to leases of low-value assets	(3)	(860)
Income from subleasing right-of-use assets	10,881	834

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, 2021 and 2020, the Company recognized NT$0 and 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

	For the year ended December 31,	
	2021	2020
Cash outflow relating to leases amount	$117,843	$166,358

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

Function / Nature	2021			2020		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	$883,932	$535,329	$1,419,261	$525,867	$445,121	$970,988
Labor and health insurance	76,227	31,918	108,145	48,041	33,114	81,155
Pension	26,094	16,217	42,311	15,681	15,677	31,358
Directors' remuneration	-	19,381	19,381	-	12,532	12,532
Other employee benefits expense	39,216	33,104	72,320	27,231	19,987	47,218
Depreciation	580,225	23,001	603,226	526,051	72,487	598,538
Amortization	245	3,802	4,047	82	2,847	2,929

Note:

1.The average headcounts of the Company amounted to 1,867 and 1,468, respectively, as of December 31, 2021 and 2020. Among the Company's directors, there were 7 and 8, respectionely, 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 2021 and 2020 are NT$883 thousand and NT$774 thousand respectively.
(2) Average salaries of 2021 and 2020 are NT$763 thousand and NT$665 thousand respectively.
(3) Changes in average salaries are 15%.
(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, 2021 amounted to NT$186,084 thousand and NT$16,181 thousand, respectively. 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, recognized as employee benefits.

The Company's Board has determined the employees' compensation and directors' renumeration, all in cash, to be NT$186,084 thousand and NT$16,179 thousand, respectively. The NT$2 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2021, 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$107,316 thousand and NT$9,328 thousand, respectively. 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.

(19)Non-operating incomes and expenses

A.Interest income

	For the year ended December 31,	
	2021	2020
Interest income		
Deposit interest	$1,762	$2,913
Financial assets measured at amortized cost	1,667	1,244
Total	$3,429	$4,157

B.Other incomes

	For the year ended December 31,	
	2021	2020
Rent income	$10,881	$834
Government grants income	218	21
Other income - others	4,704	10,936
Total	$15,803	$11,791

C.Other gains and losses

	For the year ended December 31,	
	2021	2020
Gains from disposal of property, plant and equipment	$447	$1,599
Gains (losses) on financial assets at fair value through profit or loss	356	947
Gains on lease modification	690	160
Impairment loss on non-financial assets	(24,015)	(19,627)
Foreign exchange gains (losses), net	(7,172)	(4,967)
Other losses	(73)	(3,766)
Total	$(29,767)	$(25,654)

D.Finance costs

	For the year ended December 31,	
	2021	2020
Interests on borrowings from bank	$3,101	$2,324
Interest on lease liabilities	105	1,465
Total	$3,206	$3,789

(20)Components of other comprehensive income (loss)

For the year ended December 31, 2021

	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	$(8,224)	$-	$(8,224)	$-	$(8,224)

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 the equity method	$1,651	$-	$1,651	$-	$1,651

(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,	
	2021	2020
Current income tax expense (income):		
Current income tax expense	$183,083	$110,037
Adjustments in respect of current income tax of prior periods	(19,429)	(13,522)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,626	4,657
Total income tax expense (income)	$167,280	$101,172

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,	
	2021	2020
Accounting profit before tax from continuing operations	$1,415,854	$816,531
Tax payable at the enacted tax rates	$283,171	$163,306
Tax effect of income tax-exempted	(3,774)	276
Tax effect of expenses not deductible for tax purposes	13	51
Tax effect of deferred tax assets/liabilities	25,574	14,885
Surtax on undistributed earnings	14,774	12,419
Adjustments in respect of current income tax of prior periods	(19,429)	(13,522)
Other adjustments according to the Tax Law	(133,049)	(76,243)
Total income tax recognized in profit or loss	$167,280	$101,172

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

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2021
Temporary differences				
Unrealized loss on inventory valuation	$14,035	$(2,478)	$-	$11,557
Unrealized exchange loss (gain)	(5,039)	6,186	-	1,147
Share of profits or loss of subsidiaries, associates and joint ventures accounted for under equity method	(18,327)	(7,334)	-	(25,661)
Deferred tax income/ (expense)		$(3,626)	$-	
Net deferred tax assets/(liabilities)	$(9,331)			$(12,957)
Reflected in balance sheet as follows:				
Deferred tax assets	$14,035			$12,704
Deferred tax liabilities	$23,366			$25,661

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				
Unrealized 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

D.Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$104,056 thousand and NT$78,482 thousand, respectively.

E.The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company have been approved up to the year of 2019.

(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,	
	2021	2020
Net income available to common shareholders of the parent	$1,248,574	$715,359
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Basic earnings per share (in NT$)	$17.84	$10.22

B.Diluted earnings per share

	For the year ended December 31,	
	2021	2020
Net income available to common shareholders of the parent	$1,248,574	$715,359
Net income available to common shareholders of the parent after dilution	$1,248,574	$715,359
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	470	429
Weighted average number of common stocks outstanding after dilution (in thousand shares)	70,470	70,429
Diluted earnings per share (in NT$)	$17.72	$10.16

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
Pegavision (Jiangsu) Limited	Subsidiary
BeautyTech Platform Corporation	Subsidiary
Gemvision Technology (Zhejiang) Limited	Subsidiary

Aquamax Vision 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,	
	2021	2020
Pegavision Japan Inc.	$1,850,825	$1,596,570
Gemvision Technology (Zhejiang) Limited	211,692	547,066
BeautyTech Platform Corporation	411,064	1,732
Pegavision Contact Lenses (Shanghai) Corporation	40,036	8,661
Aquamax Vision Corporation	11,234	-
Total	$2,524,851	$2,154,029

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 were 90 days after monthly closing or 180 days after monthly closing.

B.Lease-related parties

a.Lease payments (Rental expense)

		For the year ended December 31,	
Related parties	Nature	2021	2020
Pegatron Corporation	Buildings	$100,846	$38,369
Pegatron Corporation	Other equipment	-	625
Total		$100,846	$38,994

b.Interest expenses

	For the year ended December 31,	
Related parties	2021	2020
Pegatron Corporation	$-	$248

C.Other revenue – provide service

Related parties	For the year ended December 31, 2021	2020
BeautyTech Platform Corporation	$114,380	$26

D. Rental income

Related parties	Rental period	Rental subject	Payment term	For the year ended December 31, 2021	2020
BeautyTech Platform Corporation	2021.06.01~ 2022.05.31	No. 255, Sec. 2, Renhe Rd., Daxi Dist., Taoyuan City 335006, Taiwan (R.O.C.)	4 thousand per month	$48	$24
BeautyTech Platform Corporation	2021.01.01~ 2021.12.31	Retail store	According to the lease contracts by each store	$10,833	$-

E.Other revenue

Related parties	For the year ended December 31, 2021	2020
BeautyTech Platform Corporation	$3	$-

F.Operating expense

Related parties	Nature	For the year ended December 31, 2021	2020
Pegatron Corporation	Provide services	$331	$361
Pegatron Corporation	Pay utilities	$93,649	$69,793
BeautyTech Platform Corporation	Advertisement expense	$16,357	$-
Pegavision (Jiangsu) Limited	Warehouse fees	$2,456	$-
PEGATRON CZECH S.R.O.	Provide services	$94	$85

G.Accounts receivable - related parties

	As of December 31,	
	2021	2020
Pegavision Contact Lenses (Shanghai) Corporation	$-	$6,016
Pegavision Japan Inc.	301,885	354,934
Gemvision Technology (Zhejiang) Limited	85,662	219,266
BeautyTech Platform Corporation	139,387	1,847
Aquamax Vision Corporation	11,250	-
Less: loss allowance	-	-
Net	$538,184	$582,063

H.Other receivable

	As of December 31,	
	2021	2020
BeautyTech Platform Corporation	$328	$-

I.Refundable deposits

	As of December 31,	
	2021	2020
Pegatron Corporation	$10,000	$10,000

J.Contract liabilities

	As of December 31,	
	2021	2020
PEGAVISION JAPAN INC.	$18,222	$15,316

K.Other payables

	As of December 31,	
	2021	2020
Pegatron Corporation	$33,981	$19,705
BeautyTech Platform Corporation	18,848	-

Pegavision Japan Inc.	34	-
PEGATRON CZECH S.R.O.	26	-
Total	$52,889	$19,705

L. Deposits Received

	As of December 31,	
	2021	2020
BeautyTech Platform Corporation	$4	$4

M.Key management personnel compensation

	For the year ended December 31,	
	2021	2020
Short-term employee benefits and post-employment benefits	$17,548	$13,360

8.PLEDGED ASSETS

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

	Carrying amount as of December 31,		
Items	2021	2020	Secured liabilities
Property, plant and equipment - machinery and equipment (carrying amount)	$42,036	$61,249	Secured borrowings
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	$44,036	$63,249	

9.SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2021, 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	$1,589,348	$627,071	$962,277
Machinery and equipment	42,820	20,350	22,470
Total	$1,632,168	$647,421	$984,747

Arnoune paid was recorded under construction in progress and equipment awaiting inspection (including prepayment for equipment).

10.SIGNIFICANT DISASTER LOSS

None.

11.SIGNIFICANT SUBSEQUENT EVENT

None.

12.OTHERS

(1)Categories of financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$55,024	$566,769
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	1,445,837	949,752
Accounts receivables	319,381	258,283
Accounts receivables – related party	538,184	582,063
Other receivables	5,348	3,680

Refundable deposits	46,763	69,933
Subtotal	2,355,513	1,863,711
Total	$2,410,537	$2,430,480

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities measured at amortized cost:		
Short-term borrowings	$444,866	$367,890
Payables	1,842,561	950,262
Long-term borrowings (including current portion with maturity less than 1 year)	141,993	14,705
Lease liabilities	-	96,212
Total	$2,429,420	$1,429,069

(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 2021 and 2020 would decrease/increase by NT$1,267housand and NT$1,289 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, the net income (loss) for the years ended 31 December 2021 and 2020 would decrease/increase by NT$1,109 thousand and NT$3,186 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, 2021 and 2020 would increase/decrease by NT$60 thousand and NT$217 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, 2021 and 2020, receivables from the top ten customers were accounted for 90.25%and 87.83% 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, 2021							
Borrowings	$446,693	$5,050	$7,004	$20,449	$25,060	$91,489	$595,745
Payables	1,842,561	-	-	-	-	-	1,842,561
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

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	$367,890	$14,705	$634	$96,212	$479,441
Cash flows	76,976	128,580	(230)	(8,495)	196,831
Non-cash changes					
Lease modification	-	-	-	(87,822)	(87,822)
Interest of lease liabilities	-	-	-	105	105
Other	-	(1,292)	-	-	(1,292)
As of December 31, 2021	$444,866	$141,993	$404	$-	$587,263

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

(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, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Money market fund	$55,024	$-	$-	$55,024
Financial liabilities:				
None				

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				

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2021 and 2020, 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,					
	2021			2020		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
Financial assets						
Monetary items:						
USD	$23,804	27.683	$658,980	$17,496	28.50	$498,565
CNY	$25,552	4.342	$110,944	$73,009	4.367	$318,855
Financial liabilities						
Monetary items:						
USD	$19,226	27.683	$532,236	$12,971	28.50	$369,620
CNY	$-		$-	$69	4.367	$301
Foreign currency resulting in exchange gain or loss						
USD			$(3,560)			$(11,540)
CNY			$1,523			$7,143
Other			$(5,135)			$(570)

(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, 2021 (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, 2021: 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, 2021: 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, 2021: 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, 2021: 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, 2021: 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, 2021 (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, 2021: 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, 2021: 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, 2021: 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, 2021: 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, 2021: 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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2021	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 (USD 3,600)	(1)	$112,559	$-	$-	$112,559	$2,613 (Note 3 and 4)	100%	$2,613 (Note 3 and 4)	$108,184 (Note 3 and 4)	$-	$112,559	$112,559	$3,305,056
Gemvision Technology (Zhejiang) Limited	Selling medical equipment	$95,523 (RMB 22,000) (Note 3)	(3) (Note 2)	$-	$-	$-	$-	$(9,923) (Note 3 and 4)	100%	$(9,923) (Note 3 and 4)	$82,810 (Note 3 and 4)	$-	$-	$-	

Pegavision (Jiangsu) Limited	Producing and selling medical equipment	$85,620 (USD 3,000)	(1)	$-	$85,620	$-	$85,620	$(5,205) (Note 3 and 4)	100%	$(5,205) (Note 3 and 4)	$80,387 (Note 3 and 4)	$-	$85,620	$85,620	

Note 1: The investment methods are divided into the following three types, just indicate the types:

(1) Go directly to the mainland China for investment.

(2) Reinvest in mainland China through a third-region company.

(3) Other methods.

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: Gain/loss on investment is recognized based on the reviewed financial statements of the parent company’s auditors in Taiwan.

B.Significant transactions with investees in China.

a.Purchase and balances of related accounts payable as of December 31, 2021: None.

b.Sales and the balance of related accounts receivable and their weightings as of December 31 2021:

	Operating revenue		Accounts receivable	
	Amount	% to Net Sales	Amount	% to Account Balance
Pegavision Contact Lenses (Shanghai) Corporation	$40,036	0.78%	$-	-%
Gemvision Technology (Zhejiang) Limited	211,692	4.10%	85,662	9.99%

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:

Variety	Related parties	Carrying value	Price	Gain on disposal	Reference basis for price decision
Machinery	Pegavision (Jiangsu) Limited	$-	$-	$-	Gift

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

Major shareholders \ Shares	Shares	%
Kinsus Investment Co., Ltd.	21,233,736	30.33%
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, 2021

Attachment 1

(New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	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	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										
-	-	-	-	-	$-	$-	$-	$-	-%	-	-	-	-

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.

Pegavision Corporation

Marketable Securities held as of December 31, 2021 (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							
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	3,556,527	$55,012	-%	$55,024	
	Add: Valuation Adjustment				12			
	Total				$55,024			

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, 2021

Attachment 3

(In Thousands of New Taiwan Dollars)

	Type and Name of	Financial Statement		Nature of	Beginning Balance		Acquisition		Disposal				Ending Balance	
Company Name	Marketable Securities	Account	Counter-party	Relationship	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	-	-	33,387,513	$509,270	28,763,573	$439,000	62,151,086	$948,577	$948,270	$307	-	$-

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, 2021

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	$1,850,825	35.85%	90 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable $301,885 Contract liability $(18,222)	35.20% 75.93%	
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	Sales	$411,064	7.96%	Within 120 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable $139,387	16.25%	
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	Sales	$211,692	4.10%	Within 180 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable $85,662	9.99%	

Pegavision Corporation

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

As of December 31, 2021

Attachment 5

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss allowance
					Amount	Action Taken		
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	$301,885	5.64	$-	-	$139,092	$-
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	$139,387	5.82	$-	-	$-	$-

Pegavision Corporation

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

As of December 31, 2021

Attachment 6

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of September 30, 2021			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of Sep. 30, 2021	As of December 31, 2020	Shares	%	Carrying Value			
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	JPY9,900	JPY9,900	198 shares	100.00%	$59,801	$21,134	$21,134	
Pegavision Corporation	BeautyTech Platform Corporation	Taiwan	Selling medical equipment	- Note	NTD 40,000	-	-	$- Note	$18,766	$(26,011)	
Pegavision Corporation	Mayin Investment Co. , Ltd.	Taiwan	Investing activities	NTD 120,003	-	12,000,000 shares	100.00%	$164,344	$44,525	$44,525	
Mayin Investment Co. , Ltd.	BeautyTech Platform Corporation	Taiwan	Selling medical equipment	NTD 40,000	- Note	4,000,000 shares	100.00%	$56,036	$18,766	$44,777	
Mayin Investment Co. , Ltd.	FacialBeau International Corporation	Taiwan	Selling cosmetic products	NTD 27,500	-	2,750,000 shares	55.00%	$27,331	$(307)	$(169)	
BeautyTech Platform Corporation	Aquamax Vision Corporation	USA	Selling medical equipment	USD 1,100	USD 600	11,000,000 shares	100.00%	$12,346	$(16,325)	$(16,325)	

Note: To improve the synergy of the Group, the equity of BeautyTech Platform Corporation was transferred to Mayin Investment Co. , Ltd. from the Company.

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, 2021

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	$1,850,825	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable $283,663	100.00%	
BeautyTech Platform Corporation	Pegavision Corporation	Subsidiary	Purchase	$411,064	96.97%	Within 120 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable $139,387	99.40%	
Gemvision Technology (Zhejiang) Limited	Pegavision Corporation	Subsidiary	Purchase	$211,692	100.00%	Within 180 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable $85,662	100.00%	

Pegavision Corporation

1. Statement of Cash and Cash Equivalents

As of December 31, 2021

(In Thousands of New Taiwan Dollars and foreign currencies)

Item	Description	Amount	Note
Cash and petty cash:		$1,435	1.Cash and Cash equivalents were not pledged.
			2.Exchange Rate
			USD 1=NTD 27.683
			CNY 1=NTD 4.34195
			JPY 1=NTD 0.24048
Checkings and savings:			
Shanghai Commercial & Savings Bank－Zhongli Branch	Demand deposits	20,542	
Shanghai Commercial & Savings Bank－Zhongli Branch	Check deposit	1,101	
Shanghai Commercial & Savings Bank－Zhongli Branch	Foreign currency deposit	50,213	USD 1,258、CNY 2,037、JPY27,225
Mega International Commercial Bank－Lanya Branch	Demand deposits	5,936	
Mega International Commercial Bank－Lanya Branch	Foreign currency deposit	19,576	CNY 665、JPY 69,374
Bank SinoPac－Taipei Branch	Demand deposits	162	
Taipeifubon Commercial Bank－Anhe Branch	Demand deposits	5,197	
Taipeifubon Commercial Bank－Anhe Branch	Foreign currency deposit	7,285	USD 263
Chang Hwa Commercial Bank－Beitou Branch	Demand deposits	5,756	
Chang Hwa Commercial Bank－Beitou Branch	Foreign currency deposit	169	USD 6
Subtotal		115,937	
Time deposits:			
Shanghai Commercial & Savings Bank－Zhongli Branch	Fixed-term deposits	841,900	
Mega International Commercial Bank－Lanya Branch	Fixed-term deposits	129,000	
Bank SinoPac－Taipei Branch	Fixed-term deposits	9,000	
Chang Hwa Commercial Bank－Beitou Branch	Fixed-term deposits	350,000	
Subtotal		1,329,900	
Total		$1,447,272	

Pegavision Corporation

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

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

	Shares/Units	Par Value	Amount	Interest Rate	Acquisition Cost	Fair Value		Note
						Unit Price	Amount	
Money Market Funds:								
FSITC Taiwan Money Market	3,556,527	-	$55,012	-	$55,012	$15.471	$55,024	Note
Add: Valuation Adjustment					12			
Total					$55,024			

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, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	$134,087	1.The amount of individual client included
Client B	53,014	in others does not exceed 5% of the account balance.
Client C	54,728	2.Non related parties.
Client D	41,721	
Client E	17,322	
Others	31,464	
Subtotal	332,336	
Less: loss allowance	(12,955)	
Net	$319,381	

Pegavision Corporation

4. Statement of Other Receivables

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Interest receivables	$261	
Other receivables	5,087	
Total	$5,348	

Pegavision Corporation

5. Statement of Inventories, net

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	$109,871	$109,871	1.Inventories were not pledged.
Supplies	5,223	5,223	2.Inventories are valued at lower of cost or net realizable value item by item.
Work in progress	247,503	247,503	
Finished goods	163,880	224,710	
Subtotal	526,477	$587,307	3.The insurance coverage for inventories was NT$443,489 thousand as of December 31, 2021.
Less: allowance for inventory valuation losses	(120,162)		
Net	$406,315		

Pegavision Corporation

6. Statement of Prepayments

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Office supplies	$20,564	
Prepaid rents	252	
Other prepayments	35,396	
Total	$56,212	

Pegavision Corporation

7. Statement of Other Current Assets

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Input tax	$24,145	
Overpaid sales tax	500	
Temporary payments	1,656	
Payment on behalf of others	1	
Total	$26,302	

Pegavision Corporation

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

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2021		Additions		Decrease		As of December 31, 2021			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
Pegavision Japan Inc.	198	$45,842		$13,959 (Note1)		$-	198	100.00%	$59,801	$302	$59,801	None	
Pegavision Contact Lenses (Shanghai) Corporation	-	106,187		1,997 (Note2)		-	-	100.00%	108,184	-	108,184	None	
Unrealized profit		(134,948)		74,766		-			(60,182)		(60,182)		
Subtotal		(28,761)		76,763		-			48,002		48,002		
BeautyTech Platform Corporation	4,000,000	37,675		-	4,000,000	(37,675) (Note3)	-	-%	-	-	-	None	
Unrealized profit		(600)		600		-			-		-		
Subtotal		37,075		600		(37,675)			-		-		
Mayin Investment Co., Ltd.	-	-	12,000,000	164,344 (Note4)		-	12,000,000	100.00%	164,344	-	164,344	None	
Unrealized profit		-		-		(70,724)			(70,724)		(70,724)		
Subtotal		-		164,344		(70,724)			93,620		93,620		
Pegavision (Jiangsu) Limited	-	-		80,387 (Note5)		-	-	100.00%	80,387	-	80,387	None	
Total		$54,156		$336,053		$(108,399)			$281,810		$281,810		

Note1: Including investment gain recognized under equity method amounted to NT$21,134 thousand and foreign currency statements translation adjustments amounted to NT$(7,175) thousand.

Note2: Including investment gain amounted to NT$2,613 thousand and foreign currency statements translation adjustments amounted to NT$(616) thousand.

Note3: For the consideration of reorganization,the investment in BeautyTech Platform Corporation had been adjusted to the parent company-Mayin Investment Co., Ltd.
Including investment loss recognized under equity method amounted to NT$(26,011) thousand and foreign currency statements translation adjustments amounted to NT$(221) thousand.

Note4: Including the acquisition by cash NT$108,560 thousand and the investment of BeautyTech Platform Corporation NT$11,443 thousand,
investment gain recognized under equity method amounted to NT$44,525 thousand and foreign currency statements translation adjustments amounted to NT$(184) thousand.

Note5: Including the acquisition by cash NT$85,620 thousand, investment loss recognized under equity method amounted to NT$(5,205) thousand and foreign currency statements translation adjustments amounted to NT$(28) thousand.

Pegavision Corporation

9.Statement of Other Non-Current Assets

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Prepayment for equipment	$76,135	
Refundable deposits		
Lease	13,150	
Other	33,613	
Subtotal	46,763	
Total	$122,898	

Pegavision Corporation

10. Statement of Short-term Borrowing

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Description	Type	As of December 31, 2021	Contract Period	Interest Rates	Collateral	Note
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	$33,496	2021/10/20-2022/01/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	16,887	2021/10/20-2022/01/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	24,915	2021/10/27-2022/01/27	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	40,140	2021/10/28-2022/01/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	35,988	2021/11/11-2022/01/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	23,531	2021/11/25-2022/02/25	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	41,524	2021/12/03-2022/02/25	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	84,710	2021/12/07-2022/02/25	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	52,321	2021/12/20-2022/01/28	Note	None	
Chang Hwa Commercial Bank - Beitou Branch	Credit loans	55,366	2021/12/27-2022/03/27	Note	None	
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loans	11,073	2021/12/13-2022/02/25	Note	None	
Taipeu Fubon Bank – AnHe Branch	Credit loans	24,915	2021/12/13-2022/02/25	Note	None	
Total		$444,866				

Note: As of December 31, 2021, the interest rate intervals for short-term loans were 0.58%~0.80%.

Pegavision Corporation

11. Statement of Contract Liabilities

As of December 31, 2021

(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.	$18,222	
Client G	1,246	
Others	4,532	
Total	24,000	

Pegavision Corporation

12. Statement of Notes Payable

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Vendor A	$1,733	Non related parties.
Vendor B	473	
Others	10	
Total	$2,216	

Pegavision Corporation

13. Statement of Accounts Payable

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Vendor C	$33,364	1.The amount of individual vendor included
Vendor D	29,721	in others does not exceed 5% of the
Vendor E	20,391	account balance.
Vendor F	20,117	2. Non related parties.
Vendor G	12,704	
Vendor H	12,578	
Others	70,708	
Total	$199,583	

Pegavision Corporation

14. Statement of Other Payables

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Accrued Payroll	$353,363	
Accrued Professional Service Fees	52,889	Related party-Pegatron Corporation, Pegavision Japan Inc.,
Accrued Employees' Compensation	186,084	BeautyTech Platform Corporation, and Pegatron Czech S.R.O.
Compensation Payable to Directors	16,946	
Accrued Interest Payable	278	
Payables to Equipment suppliers	613,316	
Others	417,886	The amount of individual vendor included in others
Total	$1,640,762	does not exceed 5% of the account balance.
Payables to Equipment suppliers		
Vendor I	$190,790	
Vendor J	85,399	
Vendor K	74,956	
Vendor L	54,144	
Vendor M	46,768	
Vendor N	33,555	
Others	127,704	The amount of individual vendor included in others
Total	$613,316	does not exceed 5% of the account balance.

Pegavision Corporation

15. Statement of Changes in Current Tax Liablities

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Balance as of January 1, 2021	$62,274	
Add: Income tax accrual for 2021	183,083	
Surtax rate on undistributed earnings accrual for 2019	14,366	
Less：Income tax payment for 2021	(89,259)	
Interim temporary tax payment	(19)	
Income tax payment for 2020	(51,845)	
Adjustments in respect of current income tax of prior periods	(19,429)	
Balance as of December 31, 2021	$99,171	

Pegavision Corporation

16.Guarantee Deposits Received

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Lease guarantee deposit	$400	
Related party-BeautyTech Platform Corporation	4	
Total	$404	

Pegavision Corporation

17. Statement of Operating Revenue

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Quantity (set)	Amount	Note
Operating revenue			
Contact lens	54,568,404	$5,031,421	Quantity unit is box
Others		131,042	if sales unit is box.
Total operating revenue		$5,162,463	

Pegavision Corporation

18. Statement of Operating Costs

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Direct Materials		
Beginning balance	$46,138	
Add: Raw materials purchased	670,811	
Less: Ending balance	(109,871)	
Raw materials sold directly	(3,467)	
Raw materials scrapped	(1,609)	
Transferred to other accounts	(25,656)	
Direct materials used	576,346	
Supplies and parts		
Beginning balance	3,791	
Add: Supplies and parts purchased	59,016	
Transferred to other accounts	26,396	
Less: Ending balance	(5,223)	
Supplies and parts sold directly	(6,656)	
Transferred to other accounts	(4,476)	
Supplies and parts used	72,848	
Direct labor	1,000,963	
Manufacturing overhead (Detailed list 19)	1,192,737	
Manufacturing cost	2,842,894	
Add: Work in process, beginning balance	168,256	
Less: Work in process, ending balance	(247,503)	
Work in process scrapped	(16,796)	
Transferred to other accounts	(45,436)	
Cost of finished goods	2,701,415	
Add: Finished goods, beginning balance	190,291	
Less: Finished goods, ending balance	(163,880)	
Finished goods scrapped	(5,079)	
Transferred to other accounts	(8,266)	
Cost of goods sold	2,714,481	
Merchandise, beginning balance	7,995	
Less: Merchandise, ending balance	-	
Transferred to other accounts	(5,670)	
Cost of merchandise sold	2,325	
Cost of raw materials sold directly	10,123	
Loss from inventory valuation	(14,184)	
Loss from inventory scrapped	23,484	
Revenue from sale of scraps	(50,988)	
Total	$2,685,241	

Pegavision Corporation

19. Statement of Manufacting Overhead

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Rent expense	$96,080	
Repair and maintenance	141,019	
Utilities	183,132	
Depreciation	580,225	
Amortization	245	
Meal expense	30,253	
Consumable materials and tools	90,760	
Profesional service expense	4,773	
Miscellaneous purchase	14,422	
Others	51,828	
Total	$1,192,737	

Pegavision Corporation

20. Statement of Selling Expenses

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	$139,687	
Rent expense	1,610	
Travelling	958	
Shipping	9,799	
Postage expenses	642	
Advertisement expense	52,047	
Utilities	268	
Insurance expense	14,048	
Depreciation	8,909	
Amortisation	532	
Meal expense	2,049	
Commission	5,996	
Import and export fee	20,967	
Miscellaneous purchase	912	
Sample fee	946	
Professional service expense	1,647	
Others	5,287	
Total	$266,304	

Pegavision Corporation

21. Statement of Administrative Expenses

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	$142,204	
Rent expense	6,929	
Utilities	1,273	
Insurance expense	12,546	
Depreciation	9,639	
Amortization	2,396	
Meal expense	906	
Employee welfare	23,380	
Internet service expense	4,177	
Miscellaneous purchase	5,406	
Professional service expense	26,520	
Factory cleaning expense	5,775	
Repair and maintenance	3,940	
Travelling	1,607	
Shipping	1,848	
Others	19,960	
Total	$268,506	

Pegavision Corporation

22. Statement of Research and Development Expenses

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	$292,127	
Rent expense	4,729	
Utilities	11,240	
Insurance expense	19,223	
Depreciation	4,453	
Amortization	874	
Meal expense	3,678	
Miscellaneous purchase	3,816	
Outsource testing	118,376	
Materials utilized for testing	40,446	
Professional service expense	27,140	
Others	20,540	
Total	$546,642	

Pegavision Corporation
A Leading Soft Contact Lens Company

2F.-1, No.5, Xingye St., Guishan Dist.,
Taoyuan City 333, Taiwan (R.O.C.)

T+03-3298808
F+03-3298897

Taiwan Stock Exchange Market
Observation Post System

http://mops.twse.com.tw

PEGAVISION Annual Report
is available at

http://www.pegavision.com

Printed on March 26, 2022

PEGAVISION Be Unique!