

**Ticker: 6491**

**PEGAVISION CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REVIEW REPORT OF INDEPENDENT AUDITORS  
AS OF MARCH 31, 2021 AND 2020  
AND FOR THE THREE-MONTH PERIODS THEN ENDED**

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*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.*

**Consolidated Financial Statements  
Index**

Item	Page
1. Cover sheet	1
2. Index	2
3. Independent Auditors' Review Report	3-4
4. Consolidated balance sheets	5-6
5. Consolidated statements of comprehensive incomes	7
6. Consolidated statements of changes in equity	8
7. Consolidated statements of cash flows	9
8. Footnotes to the consolidated financial statements	
(1) History and organization	10
(2) Date and procedures of authorization of financial statements for issue	10
(3) Newly issued or revised standards and interpretations	10-15
(4) Summary of significant accounting policies	15-17
(5) Significant accounting judgments, estimates and assumptions	17
(6) Contents of significant accounts	18-40
(7) Related party transactions	40-42
(8) Assets pledged as collateral	42
(9) Significant contingencies and unrecognized contract commitments	43
(10) Losses due to major disasters	43
(11) Significant subsequent events	43
(12) Others	43-52
(13) Other disclosures	
1. Information on significant transactions	53
2. Information on investees	53-54
3. Information on investments in Mainland China	55-57
4. Information on major shareholders	57
(14) Segment information	58

## REVIEW REPORT OF INDEPENDENT AUDITORS

To : the Board of Directors and Shareholders of  
Pegavision Corporation

### Introduction

We have reviewed the accompanying consolidated balance sheets of Pegavision Corporation (the “Company”) and its subsidiaries as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at March 31, 2021 and 2020, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Cheng, Ching-Piao

/s/Kuo, Shao-Pin

Ernst & Young  
Taiwan, R.O.C.  
April 26<sup>th</sup>, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to review 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 March 31, 2021, December 31, 2020 and March 31, 2020 (March 31, 2021 and 2020 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of March 31, 2021		As of December 31, 2020		As of March 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6(1)	\$1,793,655	27	\$1,246,001	19	\$486,163	9
1110	Financial assets at fair value through profit or loss	6(2)	155,977	2	566,769	9	205,359	4
1136	Financial assets measured at amortized cost	6(3)	-	-	-	-	491,804	9
1170	Accounts receivable, net	6(4), 6(16), 7	457,803	7	574,715	9	251,605	5
1200	Other receivables		9,774	-	3,680	-	3,915	-
1310	Inventories, net	6(5)	392,144	6	389,405	6	544,043	10
1410	Prepayments		62,434	1	54,070	1	37,051	1
1470	Other current assets		51,839	1	56,138	1	27,883	1
11xx	Total current assets		2,923,626	44	2,890,778	45	2,047,823	39
15xx	Non-current assets							
1600	Property, plant and equipment, net	6(6), 8, 9	3,123,791	47	3,090,551	48	2,957,546	56
1755	Right-of-use assets, net	6(17), 7	112,594	2	106,734	2	146,597	3
1780	Intangible assets, net	6(7)	5,949	-	6,296	-	4,466	-
1840	Deferred tax assets	4, 6(21)	14,656	-	14,636	-	7,570	-
1900	Other non-current assets	6(6), 6(8), 7, 8	432,847	7	307,036	5	131,260	2
15xx	Total non-current assets		3,689,837	56	3,525,253	55	3,247,439	61
1xxx	Total Assets		\$6,613,463	100	\$6,416,031	100	\$5,295,262	100

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

Pegavision Corporation and Subsidiaries  
Consolidated Balance Sheets (Continued)  
As of March 31, 2021, December 31, 2020 and March 31, 2020 (March 31, 2021 and 2020 are reviewed but unaudited)  
(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of March 31, 2021		As of December 31, 2020		As of March 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term borrowings	6(9)	\$306,439	5	\$367,890	6	\$107,060	2
2130	Contract liabilities	6(15)	104,794	2	80,262	1	79,119	1
2150	Notes payable		1,107	-	554	-	593	-
2170	Accounts payable		140,835	2	144,090	2	93,356	2
2200	Other payables	6(10), 7	1,198,741	18	841,310	13	752,264	14
2230	Current tax liabilities	4, 6(21)	98,343	1	82,178	2	41,492	1
2280	Lease liabilities	6(17), 7	42,413	1	41,846	1	89,902	2
2300	Other current liabilities	6(11)	143,446	2	158,836	2	83,231	2
21xx	Total current liabilities		2,036,118	31	1,716,966	27	1,247,017	24
25xx	Non-current liabilities							
2540	Non-current portion of long-term borrowings	6(12), 8	14,723	-	14,705	-	4,901	-
2570	Deferred tax liabilities	4, 6(21)	24,977	-	23,366	-	12,815	-
2580	Lease liabilities	6(17), 7	70,354	1	64,400	1	60,351	1
2645	Guarantee deposits received		746	-	645	-	630	-
2670	Other non-current liabilities	6(11),6(12)	218	-	234	-	79	-
25xx	Total non-current liabilities		111,018	1	103,350	1	78,776	1
2xxx	Total liabilities		2,147,136	32	1,820,316	28	1,325,793	25
3100	Capital	6(14)						
3110	Common stock		700,000	11	700,000	11	700,000	13
3200	Capital surplus	6(14)	1,804,928	27	1,804,928	28	1,804,928	34
3300	Retained earnings	6(14)						
3310	Legal reserve		171,179	3	171,179	3	123,630	2
3320	Special reserve		9,795	-	9,795	-	5,237	-
3350	Unappropriated retained earnings		1,792,550	27	1,917,956	30	1,345,914	26
3400	Other equity interest		(12,125)	-	(8,143)	-	(10,240)	-
3xxx	Total equity		4,466,327	68	4,595,715	72	3,969,469	75
	Total liabilities and equity		\$6,613,463	100	\$6,416,031	100	\$5,295,262	100

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

Pegavision Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Incomes  
For the three-month periods ended March 31, 2021 and 2020 (Reviewed but unaudited)  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	For the three-month period ended March 31,			
			2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	6(15)	\$1,145,797	100	\$721,446	100
5000	Operating costs	6(4), 7	(548,361)	(48)	(395,905)	(55)
5900	Gross profit		597,436	52	325,541	45
6000	Operating expenses	7				
6100	Selling expenses		(152,636)	(13)	(95,274)	(13)
6200	Administrative expenses		(58,505)	(5)	(47,073)	(6)
6300	Research and development expenses		(122,975)	(11)	(77,412)	(11)
6450	Expected credit gains (losses)	6(16)	1,954	-	(347)	-
	Operating expenses total		(332,162)	(29)	(220,106)	(30)
6900	Operating income		265,274	23	105,435	15
7000	Non-operating income and expenses	6(19)				
7100	Interest income		1,097	-	1,202	-
7010	Other income		838	-	2,970	-
7020	Other gains or losses		(6,682)	-	399	-
7050	Finance costs	7	(825)	-	(1,247)	-
	Total non-operating incomes and expenses		(5,572)	-	3,324	-
7900	Income from continuing operations before income tax		259,702	23	108,759	15
7950	Income tax	4, 6(21)	(35,108)	(3)	(17,549)	(2)
8200	Net income		224,594	20	91,210	13
8300	Other comprehensive income (loss)	6(20)				
8360	Items that may be reclassified subsequently to profit or loss					
8380	Exchange differences resulting from translating the financial statements of a foreign operation		(3,982)	(1)	(446)	-
	Total other comprehensive income, net of tax		(3,982)	(1)	(446)	-
8500	Total comprehensive income		\$220,612	19	\$90,764	13
9750	Earnings per share-basic (in NTD)	6(22)	\$3.21		\$1.30	
9850	Earnings per share-diluted (in NTD)	6(22)	\$3.20		\$1.30	

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

Pegavision Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the three-month periods ended March 31, 2021 and 2020 (Reviewed but unaudited)  
(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent						Total Equity
		Capital	Capital Surplus	Retained Earnings			Exchange differences arising on translation of foreign operations	
				Legal Reserve	Special reserve	Unappropriated Earnings		
		3100	3200	3310	3320	3350	3410	
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							
B5	Cash dividends-common share					(175,000)		(175,000)
D1	Net income for the three-month period ended March 31, 2020					91,210		91,210
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2020						(446)	(446)
D5	Total comprehensive income (loss)	-	-	-	-	91,210	(446)	90,764
Z1	Balance as of March 31, 2020	\$700,000	\$1,804,928	\$123,630	\$5,237	\$1,345,914	\$(10,240)	\$3,969,469
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							
B5	Cash dividends-common share					(350,000)		(350,000)
D1	Net income for the three-month period ended March 31, 2021					224,594		224,594
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2021						(3,982)	(3,982)
D5	Total comprehensive income (loss)	-	-	-	-	224,594	(3,982)	220,612
Z1	Balance as of March 31, 2021	\$700,000	\$1,804,928	\$171,179	\$9,795	\$1,792,550	\$(12,125)	\$4,466,327

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



Pegavision Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the three-month periods ended March 31, 2021 and 2020 (Reviewed but unaudited)  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the three-month periods ended March 31,		Code	Items	For the three-month periods ended March 31,	
		2021	2020			2021	2020
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income before income tax	\$259,702	\$108,759	B00040	Disposal (acquisition) of financial assets at amortized cost	-	(491,804)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(266,267)	(49,538)
A20010	Profit or loss not effecting cash flows:			B02800	Proceeds from disposal of property, plant and equipment	178	-
A20100	Depreciation (including right-of-use assets)	134,796	161,979	B03800	Decrease (increase) in refundable deposits	(3,168)	1,511
A20200	Amortization	808	662	B04500	Acquisition of intangible assets	(461)	(592)
A20300	Expected credit losses (gain)	(1,954)	347	BBBB	Net cash provided by (used in) investing activities	(269,718)	(540,423)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(207)	(239)				
A20900	Interest expense	825	1,247	CCCC	Cash flows from financing activities:		
A21200	Interest income	(1,097)	(1,202)	C00100	Increase in (repayment of) short-term borrowings	(61,451)	(21,854)
A22500	Loss (gain) on disposal of property, plant and equipment	(178)	-	C01600	Increase in long-term borrowings	-	5,000
A29900	Gain on lease modification	(408)	(55)	C03000	Increase (decrease) in guarantee deposits received	101	(132)
A29900	Gain on government grants	(16)	(1)	C04020	Payments of lease liabilities	(11,424)	(37,348)
A30000	Changes in operating assets and liabilities:			CCCC	Net cash provided by (used in) financing activities	(72,774)	(54,334)
A31115	Financial assets at fair value through profit or loss	410,999	111,000				
A31150	Accounts receivable	118,867	1,365	DDDD	Effect of exchange rate changes	(4,291)	(446)
A31180	Other receivables	(6,011)	(1,765)	EEEE	Increase (decrease) in cash and cash equivalents	547,654	(326,644)
A31200	Inventories	(2,739)	5,949	E00100	Cash and cash equivalents at beginning of period	1,246,001	812,807
A31230	Prepayments	(8,364)	(13,776)	E00200	Cash and cash equivalents at end of period	\$1,793,655	\$486,163
A31240	Other current assets	4,299	1,457				
A32125	Contract liabilities	24,532	8,354				
A32130	Notes payable	553	(3,137)				
A32150	Accounts payable	(3,255)	(6,263)				
A32180	Other payables	(4,832)	(96,199)				
A32230	Other current liabilities	(15,390)	(3,086)				
A33000	Cash generated from operations	910,930	275,396				
A33100	Interest received	1,014	1,390				
A33300	Interest paid	(486)	(695)				
A33500	Income tax paid	(17,021)	(7,532)				
AAAA	Net cash provided by (used in) operating activities	894,437	268,559				

(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 OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended March 31, 2021 and 2020 were authorized for issue by the Board of Directors on April 26th, 2021.

## 3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. 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	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)	April 1, 2021

(a) Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

This amendment extends the practical expedient in paragraph 46A of IFRS 16 Leases for one year. This amendment that are applicable for annual periods beginning on or after April 1, 2021 have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	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) 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.

#### (e) 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.

#### (f) 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.

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 three-month periods ended March 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

Except the following 4(3) ~ 4(4), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2020.

##### (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

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2020. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2020.

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%) As at			
			Mar 31, 2021	Dec 31, 2020	Mar 31, 2020	
The Company	Pegavision Holdings Corporation	Investing activities	Not applicable	-%	100.00%	Note1
The Company	Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	100.00%	100.00%	100.00%	Note2
Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	Selling medical equipment	100.00%	100.00%	100.00%	None
The Company	Pegavision Japan Inc.	Selling medical equipment	100.00%	100.00%	100.00%	None
The Company	Aquamax Corporation	Selling medical equipment	100.00%	100.00%	Not applicable	Note 3
Aquamax Corporation	Aquamax Vision Corporation	Selling medical equipment	100.00%	100.00%	Not applicable	Note 4
The Company	Pegavision (Jiangsu) Limited	producing and Selling medical equipment	100.00%	Not applicable	Not applicable	Note 5

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

Note 2: For the consideration of reorganization, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to the Company from Pegavision Holdings Corporation. The registration was completed at May 13, 2020.

Note 3: The board of directors decided to set up Aquamax Corporation which is 100% held by the Company at February 10, 2020. The registration was completed at June 15, 2020.



Note 4: The board of directors decided to set up Aquamax Vision Corporation which is 100% held by the Aquamax Corporation at February 10, 2020. The registration was completed at July 29, 2020.

Note 5: 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.

#### (4)Income tax

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

### 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.

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month period ended March 31, 2021 as those applied in the Company's consolidated financial statements for the year ended December 31, 2020. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2020.

## 6. CONTENTS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Cash and petty cash	\$2,878	\$3,386	\$2,719
Checkings and savings	631,755	499,385	387,101
Time deposit	1,159,022	743,230	96,343
Total	<u>\$1,793,655</u>	<u>\$1,246,001</u>	<u>\$486,163</u>

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

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Mandatorily measured at fair value through profit or loss:			
Money market fund	\$155,670	\$566,455	\$205,172
Valuation adjustment	307	314	187
Total	<u>\$155,977</u>	<u>\$566,769</u>	<u>\$205,359</u>
Current	\$155,977	\$566,769	\$205,359
Non-current	-	-	-
Total	<u>\$155,977</u>	<u>\$566,769</u>	<u>\$205,359</u>

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

### (3) Financial assets measured at amortized cost

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Time deposits	\$-	\$-	\$491,804
Less: loss allowance	-	-	-
Total	<u>\$-</u>	<u>\$-</u>	<u>\$491,804</u>

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Current	\$-	\$-	\$491,804
Non-current	\$-	\$-	\$-

The Group deals with financial institution with good credit condition, there is no significant credit risk.

No financial assets measured at amortized cost were pledged as collateral.

(4)Accounts receivable, net

A.Accounts receivable, net

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Accounts receivable, gross	\$461,765	\$580,632	\$254,295
Less: loss allowance	(3,962)	(5,917)	(2,690)
Total accounts receivable, net	\$457,803	\$574,715	\$251,605

B.receivable were not pledged.

C.Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is NT\$461,765 thousand, NT\$580,632 thousand and NT\$254,295 thousand as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively. Please refer to Note 6 (16) for more details on loss allowance of accounts receivable for the three-month periods ended March 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(5)Inventory

A.Details of inventory:

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Merchandises	\$3,647	\$7,672	\$1,314
Raw materials	45,031	32,940	32,239
Supplies	3,362	3,018	1,509

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Work in process	107,925	106,977	232,170
Finished goods	232,179	238,798	276,811
Total	<u>\$392,144</u>	<u>\$389,405</u>	<u>\$544,043</u>

B. For the three-month periods ended March 31, 2021 and 2020, the Group recognized NT\$548,361 thousand and NT\$395,905 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the three-month period ended March 31,	
	2021	2020
Loss (Gain) from inventory market decline	\$(19,987)	\$13,653
Loss from inventory write-off obsolescence	6,364	645
Total	<u>\$(13,623)</u>	<u>\$14,298</u>

The Group 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.

(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
<u>Cost:</u>								
As at 1/1/2021	\$1,317,564	\$69,345	\$2,946,116	\$980	\$72,891	\$738,634	\$517,323	\$5,662,853
Addition	-	-	-	-	-	-	278,956	278,956
Disposals	-	-	(10,077)	-	-	-	-	(10,077)
Transfer	-	-	94,715	-	204	7,164	(102,544)	(461)
Effect of EX rate	-	-	-	-	(22)	(71)	1	(92)
As at 3/31/2021	<u>\$1,317,564</u>	<u>\$69,345</u>	<u>\$3,030,754</u>	<u>\$980</u>	<u>\$73,073</u>	<u>\$745,727</u>	<u>\$693,736</u>	<u>\$5,931,179</u>

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 1/1/2020	\$1,317,564	\$69,345	\$2,775,538	\$1,576	\$77,650	\$733,945	\$113,150	\$5,088,768
Addition	-	-	-	-	71	-	71,087	71,158
Disposals	-	-	(324)	-	(6,267)	(649)	-	(7,240)
Transfer	-	-	27,909	-	583	1,223	(30,307)	(592)
Effect of EX rate	-	-	-	-	1	(56)	-	(55)
As at 3/31/2020	<u>\$1,317,564</u>	<u>\$69,345</u>	<u>\$2,803,123</u>	<u>\$1,576</u>	<u>\$72,038</u>	<u>\$734,463</u>	<u>\$153,930</u>	<u>\$5,152,039</u>

Depreciation and impairment:

As at 1/1/2021	\$-	\$8,096	\$1,786,630	\$698	\$60,076	\$481,842	\$-	\$2,337,342
Depreciation	-	1,056	98,846	32	2,385	20,270	-	122,589
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(10,077)	-	-	-	-	(10,077)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	(21)	(48)	-	(69)
As at 3/31/2021	<u>\$-</u>	<u>\$9,152</u>	<u>\$1,875,399</u>	<u>\$730</u>	<u>\$62,440</u>	<u>\$502,064</u>	<u>\$-</u>	<u>\$2,449,785</u>

As at 1/1/2020	\$-	\$3,872	\$1,529,883	\$1,166	\$56,637	\$417,999	\$-	\$2,009,557
Depreciation	-	1,056	100,432	32	3,030	22,251	-	126,801
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(324)	-	(6,267)	(649)	-	(7,240)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	2	(20)	-	(18)
As at 3/31/2020	<u>\$-</u>	<u>\$4,928</u>	<u>\$1,629,991</u>	<u>\$1,198</u>	<u>\$53,402</u>	<u>\$439,581</u>	<u>\$-</u>	<u>\$2,129,100</u>

Net carrying amount:

As at 3/31/2021	<u>\$1,317,564</u>	<u>\$60,193</u>	<u>\$1,155,355</u>	<u>\$250</u>	<u>\$10,633</u>	<u>\$243,663</u>	<u>\$693,736</u>	<u>\$3,481,394</u>
As at 12/31/2020	<u>\$1,317,564</u>	<u>\$61,249</u>	<u>\$1,159,486</u>	<u>\$282</u>	<u>\$12,815</u>	<u>\$256,792</u>	<u>\$517,323</u>	<u>\$3,325,511</u>
As at 3/31/2020	<u>\$1,317,564</u>	<u>\$64,417</u>	<u>\$1,173,132</u>	<u>\$378</u>	<u>\$18,636</u>	<u>\$294,882</u>	<u>\$153,930</u>	<u>\$3,022,939</u>

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

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Property, plant and equipment	\$3,123,791	\$3,090,551	\$2,957,546
Prepayment for equipment	357,603	234,960	65,393
Total	<u>\$3,481,394</u>	<u>\$3,325,511</u>	<u>\$3,022,939</u>

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(7) Intangible assets

	<u>Computer software</u>
<u>Cost:</u>	
As at January 1, 2021	\$22,776
Additions – acquired separately	-
Transfer	461
Derecognized upon retirement	-
As at March 31, 2021	<u>\$23,237</u>
As at January 1, 2020	\$18,087
Additions – acquired separately	-
Transfer	592
Derecognized upon retirement	-
As at March 31, 2020	<u>\$18,679</u>
<u>Amortization and Impairment:</u>	
As at January 1, 2021	\$16,480
Amortization	808
Derecognized upon retirement	-
As at March 31, 2021	<u>\$17,288</u>
As at January 1, 2020	\$13,551
Amortization	662
Derecognized upon retirement	-
As at March 31, 2020	<u>\$14,213</u>
<u>Carrying amount, net:</u>	
As at March 31, 2021	<u>\$5,949</u>
As at December 31, 2020	<u>\$6,296</u>
As at March 31, 2020	<u>\$4,466</u>

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Amounts of amortization recognized for intangible assets are as follows:

	For the three-month period ended March 31,	
	2021	2020
Manufacturing expense	\$61	\$-
Selling expense	141	11
Administrative expense	404	598
Research and development expense	202	53
Total	<u>\$808</u>	<u>\$662</u>

(8)Other non-current assets

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Refundable deposits	\$75,244	\$72,076	\$65,867
Prepayment for equipment	357,603	234,960	65,393
Total	<u>\$432,847</u>	<u>\$307,036</u>	<u>\$131,260</u>

(9)Short-term borrowings

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Unsecured bank loans	<u>\$306,439</u>	<u>\$367,890</u>	<u>\$107,060</u>
Interest Rate (%)	<u>0.63%~0.70%</u>	<u>0.66%~0.85%</u>	<u>1.76%~3.20%</u>

The Group's unused short-term lines of credits amounts to NT\$862,335 thousand, NT\$817,075 and NT\$795,370 thousand, as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10)Other payable

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Accrued expenses	\$725,288	\$730,120	\$490,482
Accrued interest payable	285	250	146
Payable to equipment suppliers	123,168	110,940	86,636
Dividends payable	350,000	-	175,000
Total	<u>\$1,198,741</u>	<u>\$841,310</u>	<u>\$752,264</u>

(11)Other current liabilities

A.Details of other current liabilities

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Other current liabilities	\$29,417	\$22,858	\$20,624
Refund liability	113,964	135,913	62,587
Deferred government grants income	65	65	20
Total	<u>\$143,446</u>	<u>\$158,836</u>	<u>\$83,231</u>

B.The changes in the Group's balances of deferred government grants income for the three-month periods ended March 31, 2021 and 2020 are as follows:

	For the three-month period ended March, 31	
	2021	2020
Beginning balance	\$299	\$-
Received during the period	-	100
Released to the statement of comprehensive income	(16)	(1)
Ending Balance	<u>\$283</u>	<u>\$99</u>
Current	<u>\$65</u>	<u>\$20</u>
Non-current	<u>\$218</u>	<u>\$79</u>



Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

Debtor	Type of Loan	Maturity	As at			Repayment
			31 Mar. 2021	31 Dec. 2020	31 Mar. 2020	
Chang Hwa Commercial Bank - Beitou Branch	Credit loan	2020.03.25-2025.03.15	\$4,925	\$4,919	\$4,901	Notes 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2020.11.10-2030.10.15	9,798	9,786	-	Notes 2
Total			14,723	14,705	4,901	
Less: current portion			-	-	-	
Non-current portion			\$14,723	\$14,705	\$4,901	

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

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

B. As at March 31, 2021, December 31, 2020 and March 31, 2020, the interest rate intervals for long-term borrowings were 0.95%, 0.95% and 1.20%, respectively.

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

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

(13) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2021 and 2020 were NT\$9,774 thousand and NT\$7,559 thousand, respectively.

Pension for the three-month periods ended March 31, 2021 and 2020 were NT\$3 thousand and NT\$9 thousand, respectively.

(14) Equity

A. Common stock

As at March 31, 2021, December 31, 2020 and March 31, 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 at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Additional paid-in capital	\$1,804,928	\$1,804,928	\$1,804,928

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

C.Appropriation of earnings and dividend policies

a.Distribution of earnings

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

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

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

b.Dividend 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.

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

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

Note: As stipulated in the Articles of Incorporation, a special resolution was passed at a Board of Directors meeting held on January 29, 2021 to distribute the 2020 common stock dividend in cash.

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(15) Operating revenue

	For the three-month period ended March 31,	
	2021	2020
Revenue from customer contracts		
Sales of goods	\$1,145,797	\$721,446

Analysis of revenue from contracts with customers for the three-month periods ended March 31, 2021 and 2020 are as follows:

A. Disaggregation of revenue

	For the three-month period ended March 31,	
	2021	2020
	Single department	Single department
Sales of goods	\$1,145,797	\$721,446
The timing for revenue recognition:		
At a point in time	\$1,145,797	\$721,446

B. Contract balances

a. Contract liabilities – current

	As of			
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020	1 Jan. 2020
Sales of goods	\$89,819	\$64,981	\$62,941	\$55,917
Customer loyalty programmes	14,975	15,281	16,178	14,848
Total	\$104,794	\$80,262	\$79,119	\$70,765

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2021 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(62,432)	\$(15,281)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	82,270	14,975

The changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2020 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(55,247)	\$(14,848)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	62,271	16,178

(16)Expected credit gains (losses)

	For the three-month period ended March 31,	
	2021	2020
Operating expenses – Expected credit gains (losses)		
Accounts receivable	\$1,954	\$(347)

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

March 31, 2021

	Not past due	Past due				Total
		<=60 days	61-90 days	91-240 days	>=241 days	
Gross carrying amount	\$457,044	\$4,721	\$-	\$-	\$-	\$461,765
Loss rate	0.86%	1.00%	0%	0%	0%	
Lifetime expected credit losses	(3,915)	(47)	-	-	-	(3,962)
Carrying amount of accounts receivable	<u>\$453,129</u>	<u>\$4,674</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$457,803</u>

December 31, 2020

	Not past due	Past due				Total
		<=60 days	61-90 days	91-240 days	>=241 days	
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	<u>\$564,944</u>	<u>\$9,771</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$574,715</u>

March 31, 2020

	Not past due	Past due				Total
		<=60 days	61-90 days	91-240 days	>=241 days	
Gross carrying amount	\$209,738	\$38,761	\$5,796	\$-	\$-	\$254,295
Loss rate	0.96%	1.00%	5.00%	0%	0%	
Lifetime expected credit losses	(2,013)	(387)	(290)	-	-	(2,690)
Carrying amount of accounts receivable	<u>\$207,725</u>	<u>\$38,374</u>	<u>\$5,506</u>	<u>\$-</u>	<u>\$-</u>	<u>\$251,605</u>

B.The movement in the provision for impairment of accounts receivable for the three-month periods ended March 31, 2021 and 2020 are as follows:

	<u>Accounts receivable</u>
As at January 1, 2021	\$5,917
Addition (reversal)	(1,954)
Effect of EX rate	(1)
As at March 31, 2021	<u>\$3,962</u>
As at January 1, 2020	\$2,349
Addition (reversal)	347
Effect of EX rate	(6)
As at March 31, 2020	<u>\$2,690</u>

(17)Leases

A.Group as a lessee

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

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

a.Amounts recognized in the consolidated balance sheet

I.Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
<u>Cost:</u>					
As at 1/1/2021	\$-	\$164,586	\$17,793	\$2,490	\$184,869
Addition	-	83,991	-	-	83,991
Disposals	-	(102,111)	-	(2,490)	(104,601)



Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfer	-	-	-	-	-
Effect of EX rate	-	(253)	-	-	(253)
As at 3/31/2021	\$-	\$146,213	\$17,793	\$-	\$164,006
As at 1/1/2020	\$1,743	\$276,415	\$17,793	\$2,490	\$298,441
Addition	-	18,300	-	-	18,300
Disposals	-	(5,774)	-	-	(5,774)
Transfer	-	-	-	-	-
Effect of EX rate	-	(84)	-	-	(84)
As at 3/31/2020	\$1,743	\$288,857	\$17,793	\$2,490	\$310,883
<u>Depreciation and impairment:</u>					
As at 1/1/2021	\$-	\$62,519	\$13,776	\$1,840	\$78,135
Depreciation	-	10,432	1,722	53	12,207
Impairment loss	-	-	-	-	-
Disposal	-	(36,873)	-	(1,893)	(38,766)
Transfer	-	-	-	-	-
Effect of EX rate	-	(164)	-	-	(164)
As at 3/31/2021	\$-	\$35,914	\$15,498	\$-	\$51,412
As at 1/1/2020	\$581	\$123,449	\$6,888	\$815	\$131,733
Depreciation	290	32,910	1,722	256	35,178
Impairment loss	-	-	-	-	-
Disposal	-	(2,610)	-	-	(2,610)
Transfer	-	-	-	-	-
Effect of EX rate	-	(15)	-	-	(15)
As at 3/31/2020	\$871	\$153,734	\$8,610	\$1,071	\$164,286
<u>Net carrying amount:</u>					
As at 3/31/2021	\$-	\$110,299	\$2,295	\$-	\$112,594
As at 12/31/2020	\$-	\$102,067	\$4,017	\$650	\$106,734
As at 3/31/2020	\$872	\$135,123	\$9,183	\$1,419	\$146,597

## II. Lease liabilities

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Lease liabilities	\$112,767	\$106,246	\$150,253
Current	\$42,413	\$41,846	\$89,902
Non-current	\$70,354	\$64,400	\$60,351

Please refer to Note 6(19) (c) for the interest on lease liabilities recognized for the three-month periods ended March 31, 2021 and 2020, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at March 31, 2021, December 31, 2020 and March 31, 2020.

### b. Income and costs relating to leasing activities

	For the three-month period ended March 31,	
	2021	2020
The expense relating to short-term leases	\$(30,190)	\$(298)
The expense relating to leases of low-value assets	(729)	(5,946)
Income from subleasing right-of-use assets	212	307

As at March 31, 2021 and 2020, 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.

As of March 31, 2020, no derivative financial instruments was held by the Group. For the year ended December 31, 2020, the Company recognized NT\$407 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

During the period ended March 31, 2021 and 2020, the Group's total cash outflow for leases amounting to NT\$42,343 thousand and NT\$43,592 thousand respectively.

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

Nature \ Function	For the three-month period ended March 31,					
	2021			2020		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$182,267	\$143,757	\$326,024	\$104,219	\$103,110	\$207,329
Labor and health insurance	16,536	8,287	24,823	10,907	8,088	18,995
Pension	5,080	4,697	9,777	3,418	4,150	7,568
Other employee benefit expense	8,401	6,458	14,859	5,999	4,429	10,428
Depreciation	118,388	16,408	134,796	141,822	20,157	161,979
Amortization	61	747	808	-	662	662

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

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

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the three-month periods ended March 31, 2021 amounted to NT\$33,715 thousand and NT\$2,932 thousand, respectively. The employees' compensation and remuneration to directors for the three-month periods ended March 31, 2020 amounted to NT\$13,874 thousand and NT\$1,206 thousand, respectively, recognized as employee benefits.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$107,316 thousand and NT\$9,328 thousand, respectively,

in a meeting held on January 29, 2021. The NT\$4 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2020, were recognized as gain or loss in the next year.

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

(19)Non-operating incomes and expenses

A.Interest income

	For the three-month period ended March 31,	
	2021	2020
Interest income		
Deposit interest	\$758	\$858
Financial assets measured at amortized cost	339	344
Subtotal	\$1,097	\$1,202

B.Other incomes

	For the three-month period ended March 31,	
	2021	2020
Rent income	\$212	\$307
Government grants income	16	1
Other income - others	610	2,662
Total	\$838	\$2,970

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C.Other gains and losses

	For the three-month period ended March 31,	
	2021	2020
Gain (loss) on disposal of property, plant and equipment	\$178	\$-
Foreign exchange gain (loss), net	(7,403)	163
Gain (loss) on financial assets at fair value through profit or loss	207	239
Gain (loss) on lease modification	408	55
Other losses	(72)	(58)
Total	<u><u>\$(6,682)</u></u>	<u><u>\$399</u></u>

D.Finance costs

	For the three-month period ended March 31,	
	2021	2020
Interests on borrowings from bank	\$539	\$740
Interest on lease liabilities	286	507
Total	<u><u>\$825</u></u>	<u><u>\$1,247</u></u>

(20)Components of other comprehensive income (loss)

For the three-month periods ended March 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	<u><u>\$(3,982)</u></u>	<u><u>\$-</u></u>	<u><u>\$(3,982)</u></u>	<u><u>\$-</u></u>	<u><u>\$(3,982)</u></u>

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the three-month periods ended March 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	\$(446)	\$-	\$(446)	\$-	\$(446)

(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 three-month period ended March 31,	
	2021	2020
Current income tax expense:		
Current income tax expense	\$38,221	\$16,396
Adjustments in respect of current income tax of prior periods	(4,669)	(166)
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	1,556	1,319
Total income tax expense	\$35,108	\$17,549

B.The assessment of income tax return

	The assessment of income tax return
The Company	Assessed and approved up to 2018.
Subsidiary - Aquamax Corporation	The registration was completed at June 15, 2020. So there is no income tax declaration.

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(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 three-month period ended March 31,	
	2021	2020
Net income available to common shareholders of the parent	\$224,594	\$91,210
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Basic earnings per share (in NT\$)	\$3.21	\$1.30

B.Diluted earnings per share

	For the three-month period ended March 31,	
	2021	2020
Net income available to common shareholders of the parent	\$224,594	\$91,210
Net income available to common shareholders of the parent after dilution	\$224,594	\$91,210
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	228	143
Weighted average number of common stocks outstanding after dilution (in thousand shares)	70,228	70,143
Diluted earnings per share (in NT\$)	\$3.20	\$1.30

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 at the end of the reporting period

#### Related parties and Relationship

Related parties	Relation
Pegatron Corporation	Ultimate parent company
Pegatron Japan Inc.	Other related party
Pegatron Czech S.R.O.	Other related party

### (2) Significant transactions with related parties

#### A. Lease-related parties

##### a. Right-of-use assets

Related parties	Nature	As at		
		31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Pegatron Corporation	Buildings	\$-	\$-	\$37,222
Other related parties	Buildings	395	635	1,282
Total		<u>\$395</u>	<u>\$635</u>	<u>\$38,504</u>

##### b. Lease liabilities

Related parties	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Pegatron Corporation	\$-	\$-	\$40,945
Other related parties	401	643	1,292
Total	<u>\$401</u>	<u>\$643</u>	<u>\$42,237</u>



Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

c. Lease payment (Rental expense)

Related parties	Nature	For the three-month period ended March 31,	
		2021	2020
Pegatron Corporation	Other equipments	\$-	\$234
Pegatron Corporation	Buildings	25,212	-
Total		\$25,212	\$234

d. Interest expenses

Related parties	For the three-month period ended March 31,	
	2021	2020
Pegatron Corporation	\$-	\$159
Other related parties	2	5
Total	\$2	\$164

B. Operating expense

Related parties	Nature	For the three-month period ended March 31,	
		2021	2020
Pegatron Corporation	Provide services	\$83	\$113
Pegatron Corporation	Pay utilities	\$28,628	\$22,547
Other related parties	Provide services and pay utilities and postage	\$31	\$32
Other related parties	Provide services	\$17	\$(34)

C. Refundable deposits

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Pegatron Corporation	\$10,000	\$10,000	\$10,000

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Other payables

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Pegatron Corporation	\$18,291	\$19,705	\$16,384
Other related parties	9	9	9
Total	<u>\$18,300</u>	<u>\$19,714</u>	<u>\$16,393</u>

E. Salaries and rewards to key management of the Group

	For the three-month period ended March, 31	
	2021	2020
Short-term employee benefits and post-employment benefits	<u>\$3,095</u>	<u>\$3,883</u>

8. ASSETS PLEDGED AS COLLATERAL

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

Item	Carrying Amount as at			Secured liabilities
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020	
Property, plant and equipment - Land (carrying amount)	\$-	\$-	\$1,317,565	Secured borrowings
Property, plant and equipment - Buildings (carrying amount)	60,193	61,249	64,417	Secured borrowings
Refundable deposits	2,000	2,000	2,000	Security deposit to custom authority
Total	<u>\$62,193</u>	<u>\$63,249</u>	<u>\$1,383,982</u>	

## 9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As at March 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	\$1,456,248	\$229,452	\$1,226,796
Machinery and equipment	533,430	160,599	372,831
Total	<u>\$1,989,678</u>	<u>\$390,051</u>	<u>\$1,599,627</u>

## 10. LOSSES DUE TO MAJOR DISASTERS

None.

## 11. SIGNIFICANT SUBSEQUENT EVENTS

None.

## 12. OTHERS

(1) Categories of financial instruments

### Financial assets

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$155,977	\$566,769	\$205,359
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,790,777	1,242,615	483,444
Financial assets measured at amortized cost	-	-	491,804
Accounts receivables	457,803	574,715	251,605
Other receivables	9,774	3,680	3,915
Refundable deposits	<u>75,244</u>	<u>72,076</u>	<u>65,867</u>

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Subtotal	2,333,598	1,893,086	1,296,635
Total	<u>\$2,489,575</u>	<u>\$2,459,855</u>	<u>\$1,501,994</u>

Financial liabilities

	As at		
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Financial liabilities at amortized cost:			
Short-term borrowings	\$306,439	\$367,890	\$107,060
Payables	1,340,683	985,954	846,213
Long-term borrowings (including current portion with maturity less than 1 year)	14,723	14,705	4,901
Lease liabilities	<u>112,767</u>	<u>106,246</u>	<u>150,253</u>
Total	<u>\$1,774,612</u>	<u>\$1,474,795</u>	<u>\$1,108,427</u>

(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 activities. 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, interest rate risk and other price risk (e.g. equity instruments).

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

#### Foreign currency risk

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

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

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

When NTD appreciates/depreciates against USD by 1%, net income (loss) for the three-month periods ended March 31, 2021 and 2020 would decrease/increase by NT\$3,832 thousand and NT\$1,477 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, net income (loss) for the three-month periods ended March 31, 2021 and 2020 would decrease/increase by NT\$1,024 thousand and NT\$1,719 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 three-month periods ended March 31, 2021 and 2020 would increase /decrease by NT\$157 thousand and by NT\$94 thousand, respectively.

Equity price risk

As at March 31, 2021, December 31, 2020 and March 31, 2020, the Group does not hold equity securities at fair value; therefore the Group is not subject to equity price risk.

(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 at March 31, 2021, December 31, 2020 and March 31, 2020, receivables from the top ten customers were accounted for 79.99%, 69.22% and 68.76% 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.

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(5)Liquidity risk management

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

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>&gt;5 years</u>	<u>Total</u>
<u>As at March 31, 2021</u>							
Borrowings	\$306,507	\$588	\$3,807	\$3,791	\$1,291	\$5,856	\$321,840
Payables	1,340,683	-	-	-	-	-	1,340,683
Lease liabilities	43,333	28,073	15,086	7,677	4,781	16,355	115,305
<u>As at December 31, 2020</u>							
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
<u>As at March 31, 2020</u>							
Borrowings	\$107,420	\$35	\$35	\$2,527	\$2,509	\$-	\$112,526
Payables	846,213	-	-	-	-	-	846,213
Lease liabilities	91,038	31,064	16,354	6,529	2,156	5,331	152,472

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the three-month periods ended March 31, 2021:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As at January 1, 2021	\$367,890	\$14,705	\$645	\$106,246	\$489,486
Cash flows	(61,451)	-	101	(11,424)	(72,774)
Non-cash changes					
Lease range changes	-	-	-	17,748	17,748
Interests on lease liabilities	-	-	-	286	286
Others	-	18	-	-	18
Currency rate change	-	-	-	(89)	(89)
As at March 31, 2021	<u>\$306,439</u>	<u>\$14,723</u>	<u>\$746</u>	<u>\$112,767</u>	<u>\$434,675</u>

Movement schedule of liabilities for the three-month periods ended March 31, 2020:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As at January 1, 2020	\$128,914	\$-	\$762	\$172,080	\$301,756
Cash flows	(21,854)	5,000	(132)	(37,348)	(54,334)
Non-cash changes					
Lease range changes	-	-	-	15,081	15,081
Interests on lease liabilities	-	-	-	507	507
Others	-	(99)	-	-	(99)
Currency rate change	-	-	-	(67)	(67)
As at March 31, 2020	<u>\$107,060</u>	<u>\$4,901</u>	<u>\$630</u>	<u>\$150,253</u>	<u>\$262,844</u>



(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 at March 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Money market fund	\$155,977	\$-	\$-	\$155,977
<u>Financial liabilities:</u>				
None				

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at December 31, 2020

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

As at March 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Money market fund	\$205,359	\$-	\$-	\$205,359
<u>Financial liabilities:</u>				
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 at					
	31 Mar. 2021			31 Dec. 2020		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$24,514	28.459	\$697,646	\$19,286	28.497	\$549,593
CNY	\$29,812	4.342	\$129,445	50,319	4.367	\$219,759

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial liabilities

Monetary items:

USD	<u>\$11,022</u>	28.532	<u>\$314,482</u>	<u>\$12,981</u>	28.497	<u>\$369,915</u>
CNY	<u>\$6,034</u>	4.342	<u>\$27,061</u>	<u>\$7,120</u>	4.367	<u>\$31,097</u>

Foreign currency resulting in exchange gain or loss

USD	<u>\$765</u>	USD	<u>\$(9,839)</u>
CNY	<u>\$(3,166)</u>	CNY	<u>\$7,385</u>
Other	<u>\$(5,002)</u>	Other	<u>\$(572)</u>

As at  
31 Mar. 2020

	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	<u>\$8,555</u>	30.074	<u>\$257,272</u>
CNY	<u>\$45,461</u>	4.269	<u>\$194,051</u>

Financial liabilities

Monetary items:

USD	<u>\$3,622</u>	30.243	<u>\$110,544</u>
CNY	<u>\$5,186</u>	4.269	<u>\$22,139</u>

Foreign currency resulting in exchange gain or loss

USD	<u>\$1,220</u>
CNY	<u>\$(1,748)</u>
Other	<u>\$691</u>

(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: None.

C. Marketable securities held as at March 31, 2021 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

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 three-month period ended March 31, 2021: Please refer to attachment 2.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 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 three-month period ended March 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 three-month period ended March 31, 2021: Please refer to attachment 3.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as at March 31, 2021: Please refer to attachment 4.

I. Derivative instrument transactions: None.

J. Inter Group relationships and significant inter Group transactions for the three-month period ended March 31, 2021: Please refer to attachment 7.

#### (2) Information on investees

A. Investees over whom the Group exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 5.

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 at March 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 three-month periods ended March 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 three-month period ended March 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 three-month period ended March 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 three-month period ended March 31, 2021: Please refer to attachment 6.

h. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as at March 31, 2021: None.

i. Derivative instrument transactions: None.

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(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/ In Thousands of foreign currency)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as at January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as at March 31, 2021	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as at March 31, 2021	Accumulated Inward Remittance of Earnings as at March 31, 2021	Accumulated Outflow of Investment from Taiwan to Mainland China as at March 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	\$5,394 (Note 3 and 4)	100%	\$5,394 (Note 3, 4 and 5)	\$110,927 (Note 3, 4 and 5)	\$-	\$112,559	\$112,559	\$2,679,796
Gemvision Technology (Zhejiang) Limited	Selling medical equipment	\$43,420 (RMB 10,000)	(3) (Note 2)	\$-	\$-	\$-	\$-	\$5,222 (Note 3 and 4)	100%	\$5,222 (Note 3, 4 and 5)	\$97,929 (Note 3, 4 and 5)	\$-	\$-	\$-	

Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(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	\$(2) (Note 3 and 4)	100%	\$(2) (Note 3, 4 and 5)	\$85,595 (Note 3, 4 and 5)	\$-	\$85,620	\$85,620	
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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.



Pegavision Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (Continued)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Purchase and balances of related accounts payable as at March 31, 2021: None.

C. Sale and balance of related accounts receivable as at March 31, 2021:

	Sales		Account Receivable	
	Amount	Percentage of the net sales	Amount	Percentage of the Account Receivable
Pegavision Contact Lenses (Shanghai) Corporation	\$2,161	0.19%	\$8,128	1.03%
Gemvision Technology (Zhejiang) Limited	(11,969)	(1.06)%	107,089	13.53%

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.

D. Property transaction amounts and resulting gain or loss: None.

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

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

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

(4) Information on major shareholders

Shares		
Major shareholders	Shares	%
Kinsus Investment Co., Ltd.	21,233,736	30.33%
LIU, BO-WEN	5,480,121	7.82%
Asuspower Investment Co., Ltd.	4,934,434	7.04%
Asustek Investment Co., Ltd.	4,868,166	6.95%

#### 14. SEGMENT INFORMATION

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.

Pegavision Corporation and Subsidiaries

Marketable Securities Held as of March 31, 2021 (excluding investments in subsidiaries, associates and joint ventures)

Attachment 1

(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 March 31, 2021			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
Pegavision Corporation	Money market funds:							
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	6,455,094	\$98,485	-%	\$98,509	
	Yuanta DE-Li Money Market Fund	-	Financial assets at fair value through profit or loss	3,493,908	57,185	-%	57,468	
	Add: Valuation Adjustment				307			
	Total				<u>\$155,977</u>		<u>\$155,977</u>	

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 three-month period ended March 31, 2021

Attachment 2

(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	-	-	33,387,514	<u>\$509,270</u>	9,831,675	<u>\$150,000</u>	36,764,095	<u>\$561,000</u>	<u>\$560,785</u>	<u>\$215</u>	6,455,094	<u>\$98,485</u>

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 three-month period ended March 31, 2021

Attachment 3

(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	\$426,310	37.73%	90 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable	26.67%	Note
									\$211,143		
									contract liability	21.55%	Note
									\$(12,444)		
Pegavision Corporation	Aquamax Corporation	Subsidiary	Sales	\$235,560	20.85%	Within 180 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable	34.11%	Note
									\$269,976		

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 March 31, 2021

Attachment 4

(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	\$211,143 (Note and Note 1 )	6.02	\$-	-	\$152,257	\$-
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	\$107,089 (Note and Note 1 )	(0.29)	\$-	-	\$55,183	\$-
Pegavision Corporation	Aquamax Corporation	Subsidiary	\$269,976 (Note and Note 1 )	6.93	\$-	-	\$16,391	\$-

Note: Accounts receivable.

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

Pegavision Corporation and Subsidiaries

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

As of March 31, 2021

Attachment 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of March 31, 2021			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of March 31, 2021	As of December 31, 2020	Shares	%	Carrying Value			
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	<u>JPY9,900</u>	<u>JPY9,900</u>	198 shares	100.00%	<u>\$47,758</u>	<u>\$5,234</u>	<u>\$5,234</u>	Note
Pegavision Corporation	Aquamax Corporation	Taiwan	Selling medical equipment	<u>NTD 40,000</u>	<u>NTD 40,000</u>	4,000,000 shares	100.00%	<u>\$35,615</u>	<u>\$(2,072)</u>	<u>\$(2,072)</u>	Note
Aquamax Corporation	Aquamax Vision Corporation	USA	Selling medical equipment	<u>USD 600</u>	<u>USD 600</u>	6,000,000 shares	100.00%	<u>\$13,502</u>	<u>\$(1,586)</u>	<u>\$(1,586)</u>	Note

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

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 three-month period ended March 31, 2021

Attachment 6

(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	\$426,310	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$198,699	100.00%	Note
Aquamax Corporation	Pegavision Corporation	Subsidiary	Purchase	\$235,560	100.00%	Within 180 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$269,976	99.95%	Note

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



Pegavision Corporation and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the three-month period ended March 31, 2021

Attachment 7

(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)
	<u>2021.01.01~2021.03.31</u>						
0	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	\$426,310	90 days after monthly closing	37.21%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	211,143	90 days after monthly closing	3.19%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Contract liabilities	12,444	-	0.19%
0	Pegavision Corporation	Pegavision Contact Lenses (Shanghai) Corporation	1	Sales revenue	2,161	Within 180 days after monthly closing	0.19%
0	Pegavision Corporation	Pegavision Contact Lenses (Shanghai) Corporation	1	Accounts receivable	8,128	Within 180 days after monthly closing	0.12%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Sales revenue	(11,969)	Within 180 days after monthly closing	(1.04)%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	107,089	Within 180 days after monthly closing	1.62%
0	Pegavision Corporation	Aquamax Corporation	1	Sales revenue	235,560	Within 180 days after monthly closing	20.56%
0	Pegavision Corporation	Aquamax Corporation	1	Other operating income	46,200	Within 180 days after monthly closing	4.03%
0	Pegavision Corporation	Aquamax Corporation	1	Accounts receivable	269,976	Within 180 days after monthly closing	4.08%
0	Pegavision Corporation	Aquamax Corporation	1	Other receivable	2,339	Within 180 days after monthly closing	0.04%
0	Pegavision Corporation	Aquamax Corporation	1	Other payable	37	Within 180 days after monthly closing	-
0	Pegavision Corporation	Aquamax Corporation	1	Deposits received	4	-	-
0	Pegavision Corporation	Aquamax Corporation	1	Rent revenue	6,155	10th in each month	0.54%
0	Pegavision Corporation	Aquamax Corporation	1	Other income	3	-	-
1	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	1	Other operating income	6,558	-	0.57%
1	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	2,301	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 foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.