

PEGA**VISION**



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

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#### **CORPORATE HEADQUARTERS**

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CPA Firm: Ernst & Young Taiwan  
Name of CPA: Wells Cheng and Eric Kuo  
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**OVERSEAS SECURITIES EXCHANGE:** None.

#### **CORPORATE WEBSITE**

<http://www.pegavision.com>

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# Letter to Shareholders

## Dear Shareholders,

In 2022, just as the world was ready to restart after more than two years of epidemic lockdowns and isolation, Russia initiated the largest military attack in Europe since WWII against Ukraine, setting off a global energy crisis and inflation. The global economic growth rate<sup>1</sup> decreased from 5.9% in 2021 to 2.9%. However, Cooper Companies, Inc. estimated<sup>2</sup> that total worldwide revenue of soft contact lens manufacturers would reach approximately US\$9.9 billion in 2022, representing an increase of 5% over the US\$9.4 billion of the previous year; the growth rate of the industry has continued to exceed the growth rate of the global economy. In 2022, we once again set a new record in revenue and profit. Herewith is the business performance of the Company in 2022 and our business plan for 2023:

The consolidated revenue of the Company in 2022 was NT\$6,321.2 million, representing an increase of NT\$726.16 million over NT\$5,595.04 million last year, and an annual growth rate of 13%. Our gross profit margin was 52%, representing a decrease of 1% compared to 53% the previous year. Net income attributable to shareholders of the parent company were NT\$1,542.14 million, representing an increase of NT\$293.57 million over the NT\$1,248.57 million of the previous year, and an annual growth rate of 23.5%. Earnings per share were NT\$22.03, representing an increase of NT\$4.19 over the NT\$17.84 of the previous year. The consolidated revenue performance of the Company in 2022 primarily benefited from the growth of our OEM business in the Japanese market. Even though market price competition had some effect on our gross profit margin, the Company recorded favorable performance in our net income over the period as compared to the previous year, due to improvements in production efficiency and stringent control of marketing expenses.

## Technological Developments

Pegavision committed TWD 575.93 million of its R&D expenses in 2022 to support new product development and to improve production technology. R&D expenses increased by 5.4% over the NT\$546.64 million invested the previous year. Moreover, we acquired 43 new patents and 27 product licenses in 2022. These include:

- Colored PP blisters and the micro-structure of PP blisters;
- Lenses combining astigmatism correction, multifocal, and pressure relief functions;
- The first solution containing vitamin B2 to receive a product license in Taiwan, and our first aspherical product to receive a product license in China.

## Corporate Sustainability

Given global climate change and increasingly frequent heat waves, floods, wildfires, and extreme weather events, to achieve sustainable operation and fulfill our corporate social responsibility, our current main plant, Guishan Plant, has recorded an increase in water recovery rate of approximately 16.5% over the previous year, and power consumption per product unit decreased by 0.3% over the previous year

## Summary of Current Business Plan

Adhering to our business philosophy of opening up broader horizons for consumers, apart from continuing to invest in the R&D of automated equipment to advance our production efficiency and product quality, achieving breakthroughs in manufacturing system flexibility and shortening delivery times will continue to be the targets of our efforts in 2023. Regarding our product portfolio, product licenses currently owned by Pegavision cover a total of 39 countries, including Taiwan, Japan, China, the U.S., the EU, the U.K., India, Australia, Singapore, Malaysia, Vietnam, Thailand, and the Philippines. With continuous launching of high-end optical products and global certificates, the Company will be able to better our services for branded customers. We estimate that the growth in our sales volume will again greater than the industry average in 2023.

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<sup>1</sup> Global Economic Prospects, January 2023, World Bank Group, 4.

<sup>2</sup> Investor Presentation, December 8, 2022, Cooper Companies, Inc., 7.



## **Future prospect**

Although the global contact lens market is maintaining its general annual growth rate of 4% to 6% at present, and market momentum beneficial to the development of the industry remains unchanged, in the face of intense inflation, consumers will have to increase their expenditures on oil, power, gas, food, and other necessities in the future; how this will impact the purchasing power of contact lenses remains a major uncertainty.

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

On behalf of employees at Pegavision, we thank you for your continued trust and support. We will persistently create value for shareholders through sound corporate governance and sustainable practices.

**Peter Kuo**

Chairman

**TS Yang**

President

## Company Profile

**2.1 Date of Incorporation:** August 26th, 2009.

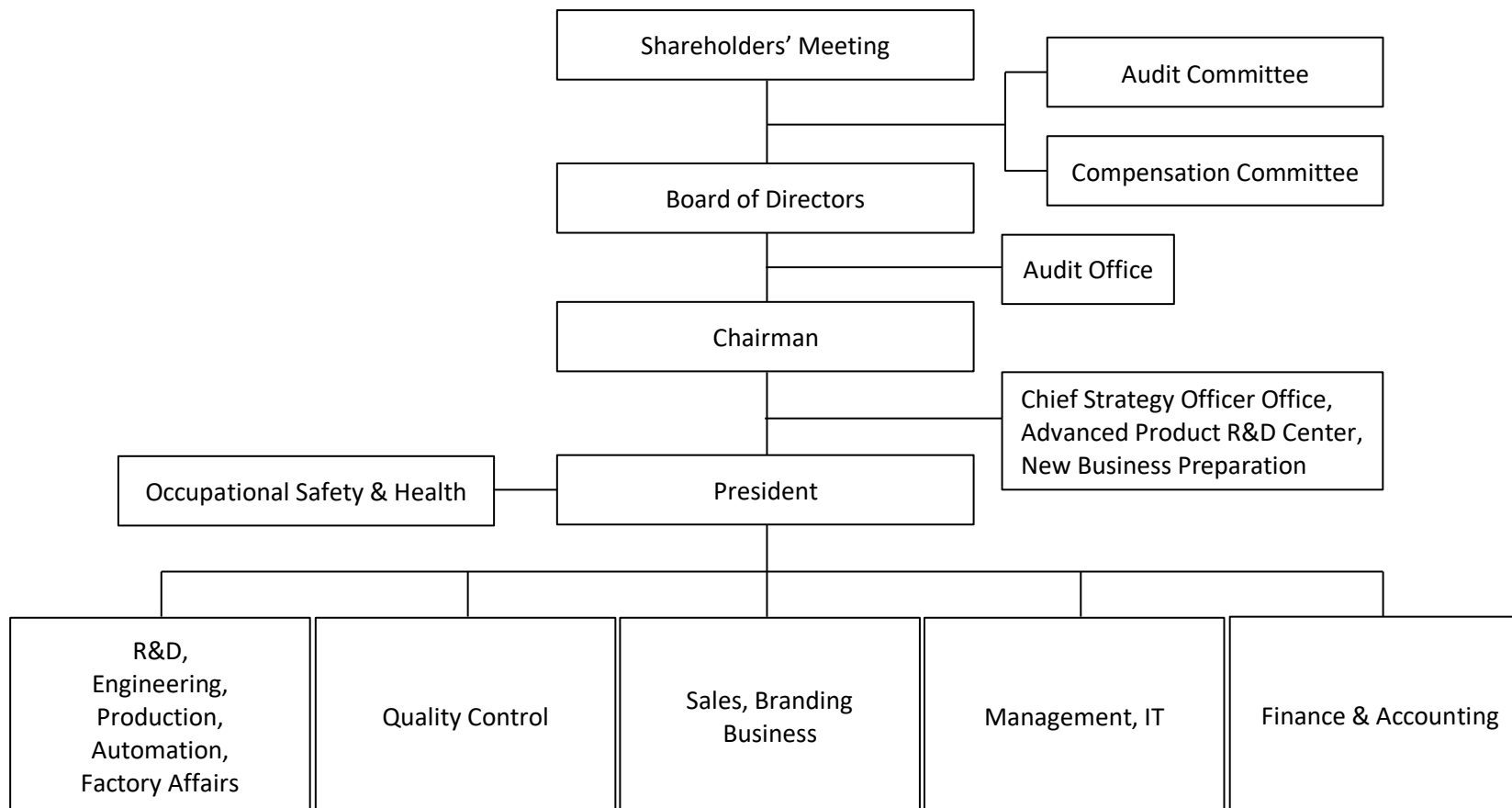
**2.2 Company Milestones:** With respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, the Company doesn't has any merger or acquisition activities; strategic investments in affiliated enterprises; corporate reorganization; instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity.

# Corporate Governance

## 3.1 Organization Structure

### 3.1.1 Organization Chart

As of 03/26/2023



### **3.1.2 Department Functions**

#### ***Advanced Product R&D Center***

- Biotechnology, contact lenses, and dietary supplement R&D.

#### ***New Business Preparation***

- Plan and promote the investment business.

#### ***Audit Office***

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

#### ***Occupational Safety & Health***

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

#### ***R&D***

- New product development.
- Studying relevant rules and regulations of medical devices.
- Application of sales permits for products in various countries.

#### ***Engineering***

- Development and improvement of production technology.

#### ***Production***

- Manufacturing and warehousing.

#### ***Automation***

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

#### ***Factory Affairs***

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

#### ***Quality Control***

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

#### ***Management***

- Corporate legal affairs including contracts review, patents and management of other intellectual properties, and litigation
- General administration including human resources, procurement, and general affairs.

#### ***IT***

- Planning, establishing and managing the Company's information management system.
- Cyber security.

#### ***Finance & Accounting***

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

#### ***Sales***

- Development of OEM business worldwide and customer services.

#### ***Branding***

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

## 3.2 Board Members and Management Team

### 3.2.1 Board Members

#### Information Regarding Board Members

As of 03/26/2023

Title/Name	Nationality	Gender/Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Positions held concurrently in the Company and/or in any other company
						Shares	%	Shares	%	Shares	%		
Chairman/ Peter Kuo	R.O.C	Male, 71~80	7/15/2021	3	8/12/2009	1,928,868	2.76	1,569,868	2.24	156,249	0.22	<ul style="list-style-type: none"> <li>Electrical Engineering, National Taipei University of Technology</li> <li>Chairman &amp; Chief Executive Officer of Kinsus Interconnect Technology Corp.</li> <li>President of Unicap Electronics</li> </ul>	Note 1
Director / T.H. Tung	R.O.C	Male, 61~70	7/15/2021	3	8/12/2009	645,729	0.92	645,729	0.92	-	-	<ul style="list-style-type: none"> <li>Master degree in Computer and Communication Engineering, National Taipei University of Technology</li> <li>Honorary PH.D in Engineering, National Taipei University of Technology</li> <li>Vice Chairman of Asustek Computer Inc. ("Asus")</li> </ul>	Note 2
Director/ Kinsus Investment Co., Ltd.	R.O.C	-	7/15/2021	3	8/12/2009	21,233,736	30.33	21,233,736	30.33	-	-	-	-
Director/ Rep. : TS Yang	R.O.C	Male, 61~70			6/14/2018	452,437	0.65	302,437	0.43	75,000	0.11	<ul style="list-style-type: none"> <li>Master of Business Administration, National Chengchi University</li> <li>Senior Vice President of Kinsus Interconnect Technology Corp.</li> <li>President of Piotek Computer (Suzhou) Co., Ltd.</li> <li>President of Flexium Interconnect Inc.</li> </ul>	Note 3
Director/ Kinsus Investment Co., Ltd.	R.O.C	-	7/15/2021	3	8/12/2009	21,233,736	30.33	21,233,736	30.33	-	-	-	-
Rep. : Scott Chen	R.O.C	Male, 51~60			6/14/2018	220,292	0.31	199,292	0.28	-	-	<ul style="list-style-type: none"> <li>Physics, National Tsing Hua University</li> <li>President of Kinsus Interconnect Technology Corporation</li> <li>Manufacturing Manager of Motorola Taiwan</li> </ul>	Note 4
Director/ Asuspower Investment Co., Ltd.	R.O.C	-	7/15/2021	3	8/12/2009	5,480,121	7.83	5,480,121	7.83	-	-	-	-
Rep. : Jeffrey Wun	R.O.C	Male, 61~70			6/14/2018	-	-	-	-	-	-	<ul style="list-style-type: none"> <li>Master's degree in Mechanical Engineering, National Tsing Hua University</li> </ul>	Note 5

Title/Name	Nationality	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Positions held concurrently in the Company and/or in any other company
						Shares	%	Shares	%	Shares	%		
												•Vice President of UMAX Computer Corporation	
Director/ Asuspower Investment Co., Ltd.	R.O.C	-	7/15/2021	3	8/12/2009	5,480,121	7.83	5,480,121	7.83	-	-	-	-
Rep. : Wen-Yung Ho	R.O.C	Male, 51~60			6/16/2015	-	-	-	-	-	-	•Medicine, Taipei Medical University •Doctor of Medicine, National Taiwan University •Associate Professor of Taipei Medical University •Attending Physician of National Taiwan University Hospital •Director of Chinese Television System Inc. •Director of Taiwan Public Television Service Foundation	Note 6
Independent Director/ Eric Yao	R.O.C	Male, 71~80	7/15/2021	3	6/16/2015	-	-	-	-	-	-	•Architecture, TungHai University •Professor, Department of Architecture, TungHai University •Associate Professor, Department of Architecture, TungHai University •Chair Professor of Taipei National University of the Arts	Note 7
Independent Director/ Shu-Yu Lee	R.O.C	Female, 51~60	7/15/2021	3	6/14/2017	-	-	-	-	-	-	•Accounting, National Chengchi University •Master of Business Administration, National Chengchi University •Senior Vice President of Friendly Securities Co., Ltd. •Sales Vice President of Mega Securities Co., Ltd. •Sales Vice President of Fubon Securities Co. Ltd.	Note 8
Independent Director/ Chi-Wan Lai	R.O.C	Male, 71~80	7/15/2021	3	7/15/2021	-	-	-	-	-	-	•Medicine, National Taiwan University •Chairman/Chief executive officer of Taiwan Medical Accreditation Council •Executive Secretary/Standing Committee Member and Convener of Medical Education Committee of the Ministry Education R.O.C. •Vice president of Tzu Chi University and Dean of Tzu Chi University College of Medicine •Professor of Neurology, University of Kansas School of Medicine	Note 9

Note 1: Chairman of Mayin Investment Co., Ltd.

Vice chairman of FacialBeau International Corporation and BeautyTech Platform Corporation.

Director of Pegatron Corp., Kinsus Interconnect Technology Corp., Kinsus Corp. (USA), Kinsus Investment Co., Ltd., and Lumens Digital Optics Inc.

Chief Strategy Officer of Pegavision Corporation.

Note 2: Chairman and Group CEO of Pegatron Corp.

Chairman of Kinsus Investmebt Co., Ltd., Lumens Digital Optics Inc., Asus Investment Co., Ltd., Asuspower Investment Co., Ltd., Asustek Investment Co., Ltd, Ri-Kuan Metal Corporation, Fisfisa Media Co., Ltd., FacialBeau International Corporation, and BeautyTech Platform Corporation.

Vice Chairman of New Frontier Foundation.



Director of Asrock Incorporation, Kinsus Interconnect Technology Corp., Hua-Yuan Investment Ltd., Asfly Travel Service Ltd., Wise Investment Ltd., Pega International Ltd., Casetek Holdings Ltd. (Cayman), Pegatron Holding Ltd., Unihan Holding Ltd., Magnificent Brightness Ltd., Casetek Holdings Limited(Cayman), Pegatron Holding Ltd., Unihan Holding Ltd., Magnificent Brightness Ltd., Casetek Holdings Ltd., Protek Global Holdings Ltd., Digitek Global Holdings Ltd., Kinsus Corp.(USA), Pegatron Holland Holding B.V., Powtek Holdings Limited, Cotek Holdings Limited, Grand Upright Technology Limited, Aslink Precision Co., Ltd., The Alliance Cultural Foundation, Hanguang Education Foundation, Lung Yingtai Cultural Foundation, Andrew T. Huang Medical Education Promotion Fund, Fair Winds Foundation, Bridge Across the Strait Foundation, Fullfoods Foundation, Bulareyaung Dance and Cultural Foundation, Cloud Gate Culture, Lovely Taiwan Foundation., Liu Kuo-sung Foundation., Q Place Creative Inc., and National Chung-Shan Institute of Science and Technology.

Independent Director: Pchome Online Inc.

Chairman of Chinese Culture and Creative Industries Association., and Monte Jode Science & Technology Association.

Vice Chairman of Taiwan Climate Partnership.

Council member of Taipei Computer Association., and Institute for Biotechnology and Medicine Industry.

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

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

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

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

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

Note 8: Regional COO of FULAGAI Capital Co., Ltd., Director of BASO Precision Optics, Ltd.

Note 9: Chair Professor of Andrew T. Huang Medical Education Promotion Fund and Attending Physician of Division of Neurology, Koo Foundation Sun Yat-San Cancer Center.

## Major Shareholders of the Institutional Shareholders

As of 3/26/2023

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

## Major Shareholders of the Major Shareholders that are Juridical Persons

As of 4/17/2022

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Pegatron Corporation	Asustek Computer Inc. (Representative: Jonney Shih)	16.80
	T.H.Tung	3.54
	Jonney Shih	2.51
	Yuanta/P-shares Taiwan Dividend Plus ETF	2.33
	Government of Singapore	2.27
	Ted Hsu	2.11
	Silchester International Investors International Value Equity Trust	2.02
	CTBC Bank in Custody for Pegatron Corporation	1.69
	Morgan Stanley & Co. International Plc	1.55
	Cathay United Bank in Custody for Expert Union Limited Investment account	1.44

As of 03/29/2022

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Kinsus Interconnect Technology Corp.	Asus Investment Co., Ltd.(Representative: T.H. Tung)	13.34
	Asustek Co., Ltd.(Representative: T.H. Tung)	12.92
	Asuspower Investment Co., Ltd. (Representative: T.H. Tung)	12.32
	New Labor Pension Fund	3.97
	Fubon Life Insurance Co., Ltd. (Representative: Richard M. Tsai)	3.15
	Allianz Global Investors Taiwan Technology Fund	1.41
	Old Labor Pension Fund	1.33
	Cathay Life Insurance Company, Ltd. (Representative: Tiao-Kuei Huang)	1.20
	Nan Shan Life Insurance Company Ltd.(Representative: Tang Chen)	1.19
	Public Service Pension Fund Management Board	1.09

*Professional Qualifications of Directors and the Independence of Independent Directors*

<div>Criteria</div> <div>Name</div>	Professional Qualifications and Experience	Independence Status	Number of other public companies concurrently serving as an independent director
Peter Kuo	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce, biotechnology and medicine.</li> <li>• Present Chairman and Chief Strategy Officer of the Company</li> <li>• Former Chairman and CEO of Kinsus Interconnect Technology Corp., and former President of Unicap Electronics, etc.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>	Not applicable	0
T.H. Tung	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce, biotechnology and medicine.</li> <li>• Present Chairman and CEO of Pegatron Corporation</li> <li>• Former Chairman of the Company, and former Vice Chairman of Asustek Computer Inc. ("Asus"), etc</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>		1
Kinsus Investment Co., Ltd. Rep.: TS Yang	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce, biotechnology and medicine.</li> <li>• Present President of the Company.</li> <li>• Former Senior Vice President of Kinsus Interconnect Technology Corp., etc.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>		0
Kinsus Investment Co., Ltd. Rep.: Scott Chen	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce.</li> <li>• Present CEO of Kinsus Interconnect Technology Corp.</li> <li>• Former President of Kinsus Interconnect Technology Corp.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>		0
Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce.</li> <li>• Present President &amp; Director of Lumens Digital Optics Inc.</li> <li>• Former Vice President of UMAX Computer Corporation.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>		1
Asuspower Investment Co., Ltd. Rep.: Wen-Yung Ho	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce, biotechnology and medicine.</li> <li>• Present Director of Andrew T. Huang Medical Education Promotion Fund.</li> <li>• Former Associate Professor of Taipei Medical University and Attending Physician of National Taiwan University Hospital.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>		0
Eric Yao	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce.</li> <li>• Present person-in-charge of dX Creative House and dX Media.</li> <li>• Former Professor of Department of Architecture, TungHai University.</li> <li>• Former Chair Professor of Taipei National University of the Arts.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>	Meets the requirements of independence (Note)	0

Name	Criteria		
	Professional Qualifications and Experience	Independence Status	Number of other public companies concurrently serving as an independent director
Shu-Yu Lee	<ul style="list-style-type: none"> <li>• Audit committee member with extensive background in accounting or finance.</li> <li>• Work experience in the area of commerce, and is a certified public accountant.</li> <li>• Present Regional COO of FULAGAI Capital Co., Ltd.</li> <li>• Former Senior Vice President of Friendly Securities Co., Ltd., Sales Vice President of Mega Securities Co., Ltd., and Sales Vice President of Fubon Securities Co. Ltd.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>	Meets the requirements of independence (Note)	0
Chi-Wan Lai	<ul style="list-style-type: none"> <li>• Work experiences in the area of commerce, biotechnology and medicine.</li> <li>• Present Chair Professor of Andrew T. Huang Medical Education Promotion Fund and Attending Physician of Division of Neurology, Koo Foundation Sun Yat-San Cancer Center.</li> <li>• Former Vice president of Tzu Chi University, Dean of Tzu Chi University College of Medicine and Chairman/Chief executive officer of Taiwan Medical Accreditation Council.</li> <li>• There are no circumstances specified in any subparagraph of Article 30 of the Company Act.</li> </ul>	Meets the requirements of independence (Note)	0

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

### **Diversity and Independence of the Board**

1. Board Diversity: The Company's "Corporate Governance Best-Practice Principles" stipulates diversity in the composition of the Board of Directors, including but not limited to basic qualifications and values (gender, age, nationality and culture), and diversity of professional knowledge and skills. The Company has set a diversity goal of having at least one female director and at least one director with a medical background, both goals have been accomplished. The "Procedures for Election of Directors" states that the overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. Each board member shall have the necessary knowledge, skill, and experience to perform their duties.
  - The nine members of the Company's 5<sup>th</sup> term of the Board (including three independent directors) as a whole have the ability to make judgments about operations, accounting and financial analysis ability, business management ability, crisis management ability, knowledge of the industry, international market perspective, leadership ability and decision-making ability. The Board is comprised of a diverse group of professionals from different industries. These professionals include Peter Kuo, Chairman of the board, who has a background in electrical engineering; T. H. Tung, who has experience in the computer and communication industries; TS Yang, who specializes in business administration; Jeffrey Wun, who has a background in mechanics; Scott Chen, who has a background in physics; Eric Yao, who has a background in architecture; Wen-Yung Ho and Chi-Wan Lai, who are medical professionals; and Shu-Yu Lee, who is an accountant and financial professional.
  - The average term of the directors of the Company is 7 years; all independent directors shall serve no more than 3 consecutive terms. All directors are citizens of Taiwan; there are 3 independent directors (representing 33% of the total number of directors) and 2 directors who are employed by the Company (representing 22% of the total number of directors). The age range of the board directors: 3 directors are between 51–60 years old; 3 directors are between 61–70 years old; and 3 directors are between 71–80 years old. In addition, there is 1 female board member in this term.
2. Independence of the Board of Directors: Currently, the Board of Directors of the Company consists of three independent directors, representing one-third of the total number of directors. As required by the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," the Company has obtained written statements and other

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

### 3.2.2 Management Team

As of 03/26/2023

Title / Name	Nationality	Gender	On-board Date	Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Selected Current Positions at Pegavision and Other Companies
				Shares	%	Shares	%		
Chief Strategy Officer/ Peter Kuo	R.O.C.	Male	7/15/2021	1,569,868	2.24%	156,249	0.22%	Electrical Engineering, National Taipei University of Technology Chairman & Chief Executive Officer, Kinsus Interconnect Technology Corp. President, Unicap Electronics	Note 1
President/ TS Yang	R.O.C.	Male	1/1/2017	302,437	0.43%	75,000	0.11%	Master of Business Administration, National Chengchi University Senior Vice President, Kinsus Interconnect Technology Corp. President, Piotek Computer (Suzhou) Co., Ltd President, Flexium Interconnect Inc.	Supervisor of Fuyang Technology Corp.
Vice President/ Terry Chang	R.O.C.	Male	8/3/2009	136,343	0.19	-	-	Master of Chemistry, National Yunlin University of Science and Technology Manager, Prodisc Technology Inc.	-
Vice President/ I-Hong Pan	R.O.C.	Female	2/13/2023	-	-	-	-	Ph.D. in Applied Chemistry, NYCU Division Director at ITRI	-
Director/ Danny Lee	R.O.C.	Male	10/12/2017	-	-	-	-	Master of Industrial Engineering, National Chiao Tung University Assistant Vice President, KINSUS Interconnect Technology Corp. Manager, Unicap Electronics	Note 2
Director/ Tony Wang	R.O.C.	Male	12/27/2013	44,669	0.06	-	-	Master of Finance, National Taiwan University of Science and Technology Senior Manager, Pegatron Corporation	Note 3
Director/ Gwendolyn Kao	R.O.C.	Female	2/18/2013	51,000	0.07	-	-	MBA, Peter Drucker School of Management Manager, United Renewable Energy CO., Ltd.	Note 4
Senior Manager/ Rex Chang	R.O.C.	Male	9/1/2022	-	-	-	-	Doctor at IBS, NTU Senior Manager, Merry Electronics Co., Ltd.	-
Section Manager/ Evelyn Lu	R.O.C.	Female	5/5/2014	-	-	-	-	Department of Banking and Finance, Kainan University Auditor, Global Lighting Technologies Inc.	-

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

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

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

Note 4: Director of Pegavision Japan Inc.

### 3.2.3 Remuneration Paid to Directors, President, and Vice President

#### Director's Remuneration

Unit: NT\$thousand

Title / Name	Director's Remuneration of 2022								Total Remuneration (A+B+C+D) and as a % of Net Income After Tax	
	Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowance (D)			
	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities
Chairman/ Peter Kuo	800	800	-	-	20,136	20,136	-	-	20,936, 1.36%	20,936, 1.36%
Director/ T.H. Tung										
Director/ Kinsus Investment Co., Ltd. Rep.: TS Yang										
Director/ Kinsus Investment Co., Ltd. Rep.: Scott Chen										
Director/ Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun										
Director/ Asuspower Investment Co., Ltd. ep.: Wen-Yung Ho										
Independent Director/ Eric Yao	2,400	2,400	-	-	-	-	-	-	2,400, 0.16%	2400, 0.16%
Independent Director/ Shu-Yu Lee										
Independent Director/ Chi-Wan Lai										

Title / Name	Compensation Earned by a Director Who is an Employee of Pegavision or of Pegavision’s Consolidated Entities						(A+B+C+D+E+F+G) and as a % of Net Income After Tax		Compensation from invested businesses other than subsidiaries
	Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employees’ Profit Sharing Bonus (G)				
	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	
Chairman/ Peter Kuo	14,114	14,114	-	-	20,712	20,712	55,761, 3.62%	55,761, 3.62%	136,550
Director/ T.H. Tung									
Director/Kinsus Investment Co., Ltd. Rep.: TS Yang									
Director/Kinsus Investment Co., Ltd. Rep.: Scott Chen									
Director/ Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun									
Director/ Asuspower Investment Co., Ltd. ep.: Wen-Yung Ho									
Independent Director/ Eric Yao	-	-	-	-	-	-	2,400, 0.16%	2,400, 0.16%	-
Independent Director/ Shu-Yu Lee									
Independent Director/ Chi-Wan Lai									

- The remuneration policy, system, standards and structure for independent directors, and how the amount of remuneration is determined in association with their duties, risks, time commitment or other factors:  
Remuneration is determined based on peer levels after taking into account the level of business risks borne by the Company.
- Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in 2020, except those disclosed in the above table:



None.

### Compensation Bracket Table

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

## Compensation Paid to President and Vice President

Unit: NT\$thousand

Unit: NT\$ thousand

Title/Name	President's Remuneration of 2022								Total Remuneration (A+B+C+D) as a % of Net Income After Tax	
	Base Compensation (A)		Severance Pay and Pensions (B)		Bonuses, and Allowances (C)		Employees' Profit Sharing Bonus (D)			
	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities	From Pegavision	From All Consolidated Entities
Chief Strategy Officer/ Peter Kuo	13,501	13,501	-	-	4,094	4,094	25,159	25,159	42,784, 2.77%	42,784, 2.77%
President/ TS Yang										
Vice President/ Terry Chang										

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

## Names of managers who received employee remuneration

Unit: NT\$thousand

Title/Name	Stock	Cash	Total	Ratio of Total Amount to Net Income After Tax (%)
Chief Strategy Officer/ Peter Kuo	-	27,798	27,798	1.80
President/TS Yang				
Vice President/Terry Chang				
Director of Finance & Accounting Division/Tony Wang				

**Compare and State the Ratio of Total Remuneration Paid to the Company's Directors, President and Vice Presidents by the Company and the Companies in the Consolidated Financial Statements to Net Income in the Past Two Years**

Title	2021 Ratio of Total Remuneration to Net Income After Tax (%)		2022 Ratio of Total Remuneration to Net Income After Tax (%)	
	From Pegavision	From All consolidated entities	From Pegavision	From all consolidated entities
Director (Note)	3.32	3.32	3.77	3.77
President and Vice President	2.35	2.35	2.77	2.77

Note: Including their employee compensation

The employee remuneration shall be no less than 10% and director remuneration shall be no more than 1% of the annual profit of the Company, as stipulated in the Company's Articles of Incorporation. The proposed remunerations are reviewed by the Compensation Committee, submitted to the Board of Directors for approval, and then reported in the upcoming Shareholders Meeting. Based on the Company's "Rules for Distribution of Compensation to Directors" and take into account the results of the performance evaluation of the board directors, including 20 evaluation indicators in six aspects, such as alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. In addition, reasonable remuneration shall be distributed with reference to the industry levels both domestically and internationally, and shall be resolved by the Board of Directors. The manager's compensation consists of salary, bonus and employee compensation. Salary is determined based on the position, responsibilities and contribution to the Company, and takes into account the general pay levels in the industry. The bonus and employee compensation are based on the evaluation of the manager's performance, including the achievement rate of the objectives and the score of the management and professional competencies. The compensation percentage is calculated based on the evaluation results and is paid after being resolved by the Compensation Committee and the Board of Directors. The procedures for determining the remuneration shall be in accordance with the Company's Articles of Incorporation and the authorization of the Company. The Company pays remuneration to directors or managers taking into account the future operational risks and its positive correlation with operational performance in order to find a balance between sustainable operation and risk control.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors Meeting Status

A total of 5 (A) meetings of the Board of Directors were held in 2022. The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person
Chairman	T.H. Tung	5	0	100%
Director	Peter Kuo	5	0	100%
Director	Kinsus Investment Co., Ltd. Rep.: TS Yang	5	0	100%
Director	Kinsus Investment Co., Ltd. Rep.: Scott Chen	5	0	100%
Director	Asuspower Investment Co., Ltd. Rep.: Wen-Yung Ho	5	0	100%
Director	Asuspower Investment Co., Ltd. Rep.: Jeffrey Wun	4	1	80%
Independent Director	Eric Yao	4	1	80%
Independent Director	Shu-Yu Lee	5	0	100%
Independent Director	Chi-Wan Lai	3	2	60%

Other mentionable items:

- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has set up an audit committee, and the provisions of Article 14-3 does not apply. For the explanation of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the audit committee (page 19).
- (2) Any objections or expressed reservations raised by independent directors against board resolutions that were recorded or stated in writing in relation to matters other than those described above : None.
2. Disclosure regarding avoidance of interest-conflicting motions:

Meeting Date	Motion	Conflicting interests and voting outcome
2022 1 <sup>st</sup> meeting 2022/2/15	2022 salary adjustment for the Company's managers.	The motion concerned the self-interests of Chairman Peter Kuo, Director TS Yang, Vice President Terry Chang, and CFO Tony Wang. They had recused themselves from the discussion and voting. The motions were passed unanimously by all remaining directors.
2022 3 <sup>rd</sup> meeting 2022/07/25	Distribution of 2021 bonus for the Company's managers.	The motion concerned the self-interests of Chairman Peter Kuo, Director TS Yang, Vice President Terry Chang, and CFO Tony Wang. They had recused themselves from the discussion and voting. The motion was passed unanimously by all remaining directors.
2022 5 <sup>th</sup> meeting 2022/12/27	Distribution of 2022 "year-end bonus" to the Company's managers.	The motion concerned the self-interests of Chairman Peter Kuo, Director TS Yang, Vice President Terry Chang, and CFO Tony Wang. They had recused themselves from the discussion and voting. The motion was passed unanimously by all remaining directors.

#### 3. Self-evaluation of the board of directors

- (1) Evaluation cycle and period: The board of directors of the company shall conduct the performance evaluation of the board of directors once a year, and the evaluation period is from January 1 to December 31 of the current year, and the evaluation shall be completed before the end of the first quarter of the next year.
- (2) Scope of evaluation: performance evaluation of the operation of the board of directors of the company.
- (3) Evaluation methods: including the self-evaluation of directors, the internal self-evaluation of the board of directors or other appropriate methods for performance evaluation.
- (4) Evaluation content
  - A. The measurement items of performance evaluation include the following five aspects:
    - Degree of participation in the operation of the company.
    - Improvement of the decision-making quality of the board of directors.
    - Composition and structure of the board of directors.
    - Director selection and continuing education.
    - Internal control.
  - B. The measurement items of self-evaluation include the following six aspects:
    - Mastery of company goals and tasks.
    - Awareness of directors' responsibilities.

- Degree of participation in the operation of the company.
- Internal relationship management and communication.
- Professional and continuing education of directors.
- Internal control.

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

Implementation status of board evaluation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	January 1, 2022 to December 31, 2022	Performance evaluation of the operation of the board of directors of the company	Internal self-evaluation of the board as a whole - "Board of Directors Performance Evaluation Self-evaluation Questionnaire"	The measurement items of the "Board of Directors Performance Evaluation Self-evaluation Questionnaire" cover five aspects: degree of participation in the operation of the company, improvement of the decision-making quality of the board of directors, composition and structure of the board of directors, director selection and continuing education, and internal control, with 44 evaluation indicators.
			Internal self-evaluation of board members - "Board Member Performance Evaluation Self-evaluation Questionnaire"	The measurement items of the "Board Member Performance Evaluation Self-evaluation Questionnaire" cover six aspects: directors include six aspects: mastery of company goals and tasks, awareness of directors' responsibilities, degree of participation in the operation of the company, internal relationship management and communication, professional and continuing education of directors, and internal control, with a total of 20 evaluation indicators.

### 3.3.2 Audit Committee Meeting Status

A total of 5 meetings of the audit committee were held in 2022. The independent directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person
Independent Director	Eric Yao	4	1	80%
Independent Director	Shu-Yu Lee	5	0	100%
Independent Director	Chi-Wan Lai	3	2	60%

Other mentionable items:

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

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

Meeting Date	Motion	The opposition, reservation or major proposal of independent directors.	Resolutions
2022 1 <sup>st</sup> meeting 2022/2/15	<ul style="list-style-type: none"> <li>2021 financial statements, consolidated financial statements and business report</li> <li>Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"</li> <li>2021 Statement of Internal Control System</li> <li>Amendments to the Company's "Internal Control System" and "Procedures for Self Assessment of Internal Control"</li> </ul>	None	Passed unanimously by all attending members
2022 2 <sup>nd</sup> meeting 2022/4/25	<ul style="list-style-type: none"> <li>2022 first quarter consolidated financial statements</li> <li>Proposed to acquire right-of-use assets</li> </ul>		
2022 3 <sup>rd</sup> meeting 2022/7/25	<ul style="list-style-type: none"> <li>2022 second quarter consolidated financial statements</li> </ul>		
2022 4 <sup>th</sup> meeting 2022/10/31	<ul style="list-style-type: none"> <li>2022 third quarter consolidated financial statements</li> <li>Amendments to the Company's "Procedures for Handling Material Inside Information"</li> <li>Amendments to the Company's "Accounting System"</li> </ul>		
2022 5 <sup>th</sup> meeting 2022/12/27	<ul style="list-style-type: none"> <li>2023 internal audit plan</li> </ul>		

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

- Avoidance of involvements in interest-conflicting discussions by independent directors; state the names of concerned independent directors, the discussions, the nature of conflicting interests, and the voting process: None.

- Communication between independent directors, internal auditors and independent auditors

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

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

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

Meeting Date	Attendee	Communication Item
2022/12/27	<ul style="list-style-type: none"> <li>Eric Yao, Independent Director</li> <li>Shu-Yu Lee, Independent Director</li> <li>Wells Cheng, Independent Auditor</li> <li>Evelyn Lu, Internal Auditor</li> </ul>	<ul style="list-style-type: none"> <li>2022 audit plan and key audit matters.</li> <li>Explanation and audit plan for including the risk assessment in the audit for 2023.</li> <li>2023 audit plan.</li> </ul>



### ***Annual key tasks and progress***

#### Key tasks:

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

#### Progress:

Motions for 2022 apart from the matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting Date	Motion	Resolutions
2022 1 <sup>st</sup> meeting/ 2022.2.15	<ul style="list-style-type: none"><li>• Distribution of cash dividends from 2021 earnings.</li></ul>	Passed unanimously by all attending members

### 3.3.3 Compensation Committee Meeting

#### Compensation Committee Member's Professional Qualifications and Independent Analysis

Criteria Name/Title	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Public Companies Concurrently Serving as a Compensation Committee Member
Eric Yao, Independent Director (Chair)	Please refer to "Professional Qualifications of Directors and the Independence of Independent Directors" on page 10 of this Annual Report.		0
Shu-Yu Lee, Independent Director			0
Chi-Wan Lai, Independent Director			0

#### Compensation Committee Meeting Status

Tenure of the session of Compensation Committee is from 15<sup>th</sup> July, 2021 to 14<sup>th</sup> July, 2024. A total of 3 meetings of the Compensation Committee were held in 2022. The status of attendance is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person
Chair	Eric Yao	3	0	100%
Member	Shu-Yu Lee	3	0	100%
Member	Chi-Wan Lai	1	2	33%

Other mentionable items:

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

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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	V		The Company has a “Corporate Governance Code of Practice” which is disclosed on the Company’s official website.	None
2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?  (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?  (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?  (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(1) In order to ensure the rights and interests of shareholders, the Company has a spokesperson and an investor mailbox in place to deal with suggestions, doubts or disputes of shareholders. If litigation issues are involved, the Company’s legal affairs personnel and legal consultants will assist in handling them.  (2) The Company and its share transfer agent are regularly informed of the identities of its major shareholders and controller.  (3) The Company has formulated and implemented the “Measures for the Management of Transactions between Group Enterprises and Related Parties” and “Measures for the Supervision of Subsidiaries”.  (4) The Company has "Insider Trading Prevention Policy" in place to prevent insiders from trading securities against non-public information.	None
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?  (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?  (3) Has the Company established a set of board performance evaluation policy and methods and conducted performance assessments on a yearly basis? Are assessment outcomes presented to the board and used as reference for compensating and nominating board members?  (4) Does the Company regularly evaluate its external auditors’ independence?	V		(1) Please refer to “Diversity and Independence of the Board” on page 11 of this Annual Report.  (2) The Company has a Compensation Committee and Audit Committee in place, but no other functional committees yet.  (3) The Company has a “Board Performance Evaluation Method” which specifies the evaluation method. The performance evaluation of the previous year shall be completed before the end of the first quarter of each year, and the evaluation results shall be reported to the Board of Directors for reference when the Board selects or nominates directors.  (4) Independence of the financial statement auditor is assessed every year, for which Ernst & Young is required to issue a "Statement of Independence" according to Statement of CPA Professional Ethics No. 10, produce a checklist of conditions mentioned in Articles 46 and 47 of Certified Public Accountant Act, and evaluate whether the CPAs conform with the following criteria: • Is not involved in any task that concerns the CPA's own interest; • Does not request for, commit to or accept any illegal gain or compensation;	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)																		
	Yes	No	Explanation																			
			<ul style="list-style-type: none"> <li>Is not employed by the client or the audited party for regular job, does not receive fixed salary and does not assume position of director or supervisor;</li> <li>Is not a spouse, direct blood relative, direct relative by affinity, or collateral blood relative of second degree or closer with the person-in-charge or any manager of the client or audited party;</li> <li>Does not engage the client or audited party in any arrangement characterized as investment or sharing of financial benefit, whether through self, spouse or underage child;</li> <li>Does not provide non-auditing service such as management consultation that would compromise independence.</li> </ul> <p>The assessment found no violation of independence.</p>																			
4. Has the Company assigned competent and adequate number of staff to oversee corporate governance, including a Corporate Governance Officer that is responsible for corporate governance-related affairs (including but not limited to furnish information required for business execution by directors, assisting directors and supervisors with compliance, handle matters relating to board meetings and shareholders' meetings according to laws, record minutes of board meetings and shareholders meetings, etc.)?	V		<p>During the board of directors meeting held on October 28, 2019, a resolution was passed to appoint Tony Wang, head of Finance &amp; Accounting Division, as the Corporate Governance Officer, whose duties are to protect shareholders' interest and support the board in various duties. Director Tony Wang has accumulated more than three years of work experience as treasurer in a public company. Main duties of the Corporate Governance Officer are to make preparations for board of directors and shareholder meetings, prepare board meeting and shareholder meeting minutes, assist directors and supervisors with ongoing education, provide directors and supervisors with the information needed to perform duties, and assist directors and supervisors with compliance issues. Continuing education completed in 2022:</p> <table border="1"> <thead> <tr> <th>Course date</th><th>Organizer</th><th>Course name</th><th>Course hours</th><th>Total hours trained during the year</th></tr> </thead> <tbody> <tr> <td>2022/4/25</td><td>Taiwan Corporate Governance Association</td><td>Net-zero Emission, Carbon Neutral, and Legal Compliance of Enterprises</td><td>3</td><td rowspan="3">12</td></tr> <tr> <td>2022/10/21</td><td>Securities and Futures Institute (R.O.C)</td><td>2022 Propaganda for Preventing Insider Trading</td><td>3</td></tr> <tr> <td>2022/10/26</td><td>Securities and Futures Institute (R.O.C)</td><td>2022 Propaganda for Legal Compliance of Insider's Equity Transaction</td><td>3</td></tr> </tbody> </table>	Course date	Organizer	Course name	Course hours	Total hours trained during the year	2022/4/25	Taiwan Corporate Governance Association	Net-zero Emission, Carbon Neutral, and Legal Compliance of Enterprises	3	12	2022/10/21	Securities and Futures Institute (R.O.C)	2022 Propaganda for Preventing Insider Trading	3	2022/10/26	Securities and Futures Institute (R.O.C)	2022 Propaganda for Legal Compliance of Insider's Equity Transaction	3	None
Course date	Organizer	Course name	Course hours	Total hours trained during the year																		
2022/4/25	Taiwan Corporate Governance Association	Net-zero Emission, Carbon Neutral, and Legal Compliance of Enterprises	3	12																		
2022/10/21	Securities and Futures Institute (R.O.C)	2022 Propaganda for Preventing Insider Trading	3																			
2022/10/26	Securities and Futures Institute (R.O.C)	2022 Propaganda for Legal Compliance of Insider's Equity Transaction	3																			

Assessment Item	Implementation Status							Non-implementation and Its Reason(s)
	Yes	No	Explanation					
			2022/10/31	Taiwan Corporate Governance Association	Discussion on Methods for Enterprises to Effectively Maintain Brand Value from Trademark Cases	3		
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has a stakeholder section on its website to provide a channel for stakeholders to communicate with and respond appropriately to the concerns of stakeholders, including corporate social responsibility issues. For details, please refer to the Company's ESG Report.					None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company commissions the Stock Administration Department of KGI Securities to handle shareholder meeting affairs.					None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?  (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?  (3) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?	V		(1) The Company's website ( <a href="http://www.pegavision.com/tw/">http://www.pegavision.com/tw/</a> ) is available in both Chinese and English and discloses financial, business and corporate governance information.  (2) The Company has dedicated departments to collect and disclose information externally according to regulations, and has a spokesperson and acting spokesperson in place. The relevant contents of the Company's corporate investor briefings are also disclosed on the Company's website.  (3) In accordance with the regulations, the Company announces and declares its annual financial report within two months after the end of the accounting year, and announces and declares its financial report for the first, second and third quarters and the operation of each month ahead of the specified deadline. For the state of the information disclosure, please refer to the MOPS.					None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) For employee rights and employee care, please refer to "5.2.2 Employee Welfare Measures" on page 52-54 of this Annual Report.  (2) The Company has an investor section on its website, which provides shareholders' meeting information, financial reports and major information in both Chinese and English, so as to improve operational transparency.  (3) The Company maintains good relationships and smooth communication channels with investors, suppliers, customers and other stakeholders.  (4) All of the Company's directors had completed the required number of training hours specified in "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" in 2022.					None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			(5) The Company reported its annual risk management performance to the Board on December 27, 2022 in accordance with the "Risk Management Policy and Procedures"	
			(6) The Company has purchased liability insurance for directors and managers.	

9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: The Company was ranked in top 6%–20% in the 8<sup>th</sup> Corporate Governance Evaluation. The Company has started to introduce Taiwan Intellectual Property Management System in 2022 and will disclose the evaluation contents and results of the Company's functional committees in 2023.



### 3.3.5 Sustainable Development Implementation Status and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	V		Please refer to “5.4.1 Government Structure” on page 57 of this Annual Report.	None
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		Please refer to “5.4.2 Risk Assessment” on page 57-58 of this Annual Report.	None
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics?  (2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?  (3) Does the Company assess potential risks and opportunities associated with climate change and undertake measures in response to climate issues?	V		(1) The Company established the ISO 14001 environmental management system in 2016 and has been running for 3 years. In addition to conducting an internal audit, the Company also obtains certification from a third party. The latest ISO 14001:2015 certification is valid from 2022/10/21 to 2025/10/20; it applies to both Guishan and Daxi factories. Furthermore, both Daxi and Guishan factories have introduced the GHG inventory in 2021 and have obtained the ISO 14064-1:2018 certification from a third party.  (2) The Company aimed to reduce the environmental impact from our business operations by improving product design, manufacturing processes, and packaging. In 2022, the electricity consumption of products per unit of the Company reduced by 41% from 2019, the base year, representing a decrease of 0.34% as compared to the preceding year, with a target of achieving a reduction of 50% in the electricity consumption of products per unit by 2027 as compared to the base year. For green procurement, the total green procurement of the Company in 2022 was NT\$6,530,959, representing an increase of 51% from the base year, and we have achieved the objective to continuously increase green procurement. For renewable suppliers, the Company developed production consumables produced by using scraps in 2021 and actively promoted recycling and reuse and circular economy, with cumulative use of over 200,000kg of scraps as of March 2023.  (3) In order to ensure the sound operation and sustainable development of the Company, the Company has established “Risk Management Policies and Procedures” which have been approved by the Board. As for the climate change risk, we have assessed that water and electricity are the indispensable resources for the production process. The water and electricity shortages caused by climate change or the utility costs increase may have a negative impact on the	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(4) Does the Company collect data for greenhouse gas emissions, water usage and total waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?			<p>Company's production and operating costs. Therefore, we have continued to promote energy saving projects and monitor energy consumption and energy saving indicators in addition to the introduction of GHG inventory in 2021. The Company also plans to build a rainwater harvesting system, solar panels, and heat pumps in the Daxi factory in order to improve the Company's resilience and competitiveness to cope with climate change in the future.</p> <p>(4) Please refer to "5.4.3 Environmental Protection" on page 58-59 of this Annual Report.</p>	
<b>4. Social Topics</b> (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?  (2) Has the Company established appropriately managed employee appeal procedures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?  (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? (4) Has the Company established effective career development training plans?  (5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	V		<p>(1) The Company has set Human Right Policy in accordance with the laws and regulations of the place where the Company is located, and in accordance with the "United Nations Guiding Principles on Business and Human Rights". The Policy has been disclosed on the Company's official website. For management programs, please refer to "Status of Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests" on page 53-54 of this Annual Report.</p> <p>(2) In accordance with Article 27(1)(1) of the Company's Articles of Incorporation, when the Company makes a profit in a year, it shall allocate no less than 10% of the annual profit to the employee compensation in order to share the operating results with all our employees. In 2022, the Company recognized a total of NT\$231,589 thousand in employee compensation. Please refer to "5.2.2 Employee Welfare Measures" on page 52-54 of this Annual Report for more information on the Company's employee benefits and the implementation status.</p> <p>(3) Please refer to "Employees' safety, protection measures in work environment and implementation" on page 54 of this Annual Report.</p> <p>(4) Please refer to "Employees Training and Education" on page 53 of this Annual Report.</p> <p>(5) The Company complies with the Pharmaceutical Affairs Act, ISO 13485:2016, the Medical Devices Act, the Medical Device Advertising Act and the Review Principles, the Personal Data Protection Act, EN ISO 15223-1, other relevant laws and regulations as well as the international standards. The Company has established "Customer Service Control Procedures," "Product Notification and Recall Procedures," "Procedures for Personal Information Protection" and "Procedures for Handling Customer Complaints" to protect the rights and</p>	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(6) Does the company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?			interests for our consumers and customers.  (6) The Company's Supplier Safety and Health Self-assessment and Review requires that all contractors be assessed on nine major items including staffing of occupational safety and health management personnel, occupational safety and health management plan, and labor health management. In addition, corporate social responsibility clauses are included in the supplier contract. As of December 31, 2022, 103 suppliers have signed the CSR clauses with the Company.	
5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquired third party verification or statement of assurance?	V		The Company has voluntarily prepared the 2021 ESG Report in accordance with the core options of the GRI Standards in 2022. The report was verified to conform to the AA1000 Type I Moderate level of assurance by BSI. A third-party verification statement was obtained as well.	None
6. If the Company has established ESG principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None.				
7. Other important information to facilitate better understanding of the Company's implementation of sustainable development: Please refer to the Company's CSR and ESG reports ( <a href="http://www.pegavision.com/tw/csr8.php">http://www.pegavision.com/tw/csr8.php</a> ).				

### 3.3.6 Corporate Conduct and Ethics Implementation Status and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis?			(2) The President's Office of the Company is responsible for the promotion of ethical corporate management; it is in charge of the formulation, supervision and implementation of the ethical corporate management policy and prevention plan, and reports the implementation status to the Board at least once a year. The operation and implementation in 2022 are as follows: <ul style="list-style-type: none"> <li>Assisted the Board and the management in auditing and evaluating whether the preventive measures established for the implementation of ethical corporate management are effectively functioning;</li> <li>Promotion and coordination of promotional training of ethical policies;</li> <li>The President reported to the Board regarding the implementation on December 27, 2022.</li> </ul>	
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?			(3) The Company has implemented an "Integrity Code of Conduct," "Ethical Conduct Guidelines" and "Measures for Handling Accusation Incidents" to prevent conflict of interest. The Company has announced a whistle-blowing section on the Company's internal and external websites.	
(4) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?			(4) The Company has developed effective and fully computerized accounting policy and internal control system, and assigned internal auditors to devise audit plans based on the outcome of integrity risk assessment, as well as to audit employees' compliance with various preventions against dishonest conduct.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?			(5) The Company holds ethical corporate management training every year. In 2022, a total of 1,221 people completed ethical corporate management related courses.	
3. Implementation of Complaint Procedures				None
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?			(1) In the Company's "Ethical Corporate Management Operating Procedures and Behavior Guideline", there is a specific reporting and reward system for unethical behavior of the Company's employees which is announced on the Company's internal and external websites, and under the charge of the Audit Office.	
(2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?		v	(2) The Company's "Measures for Handling Accusation Incidents" are the standard operating procedures for accepting accusation matters which include acceptance requirements, case handling procedures, protection measures for accusers and data preservation.	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?			(3) According to the Company's regulations, the relevant staff dealing with whistleblowing cases shall keep the identity of the whistleblower and the content confidential, and the Company shall not impose dismissal, job transfer, demotion, salary reduction, demerit or any other punishment unfavorable to the whistleblower due to their act.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		The Company has announced its "Ethical Corporate Management Best Practice Principles" on the Company website and the MOPS, and disclosed the "Ethical Corporate Management Operating Procedures and Behavior Guideline" and the annual focus on the Company website.	None
5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): In addition to "Integrity Code of Conduct," the Company also has other internal policies such as Ethical Conduct Guidelines and Insider Trading Prevention in place.				

### 3.3.7 Corporate Governance Principles and Inquiry Methods

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

### 3.3.8 Resignation or Dismissal of Chairman, President, Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D during 2021 and as of the Date of this Annual Report

**3.3.9 Other Information Material to the Understanding of Corporate Governance:** Please visit the Company's website (<http://www.pegavision.com/tw/>).

### 3.3.10 Internal Control System Execution Status

#### Statement of Internal Control System

##### Pegavision Corporation

##### Statement of Internal Control System

February 13, 2023

Based on the findings of self-assessment, Pegavision Corporation states the following with regard to its internal control system during the year 2022:

1. Pegavision's Board of Directors and management are responsible for establishing, implementing and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with of applicable ruling, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Pegavision takes immediate remedial actions in response to any deficiencies.
3. Pegavision evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. Pegavision has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Pegavision believes that, on December 31, 2022, it has maintained, in all material respects, and effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the applicable ruling, laws and regulations.
6. This Statement is an integral part of Pegavision's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on February 13, 2023 with none of nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Pegavision Corporation

Chairman/Peter Kuo

President/TS Yang

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

**3.3.11 Penalties Imposed Against the Company for Regulatory Violation, or Penalties Against Employees for Violation of Internal Control system, in the Most Recent Year Up Till the Publication Date of Annual Report that may Significantly Impact Shareholders' Interest or Security Price; Describe Details of the Penalty, Areas of Weakness and Any Corrective Actions Taken:** None.

### 3.3.12 Major Decisions of Shareholders' Meeting and Board Meetings

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

Pegavision held 2022 Annual General Shareholders' Meeting on May 24, 2022. At the meeting, shareholders approved the following resolutions:

1. Amendments to the Company's "Article of Incorporation".  
Execution: Resolution passed and has been fully implemented in accordance with the resolution.
2. Amendments to the Company's "Procedures for Acquisition or Disposal of Assets".  
Execution: Resolution passed and has been fully implemented in accordance with the resolution.
3. Lifting of the non-competition restriction on new directors.  
Execution: Resolution passed and has been fully implemented in accordance with the resolution.
4. Acknowledgment of 2021 earnings appropriation.  
Execution: Decision was made to distribute cash dividends at NT\$8.5 per common share; June 15, 2022 was set as the cash dividend baseline date, and payment of cash dividends was scheduled to take place on July 8, 2022.

#### *Major Resolution of Board Meeting*

1. Board Meeting of February 15, 2022:
  - Allocation of employee remuneration for 2021;
  - Allocation of director remuneration for 2021;
  - 2021 financial statements, consolidated financial statements and business report;
  - Distribution of cash dividends from 2021 earnings;
  - Amendments to the Company's "Article of Incorporation", "Procedures for Acquisition or Disposal of Assets", "Internal Control System", and "Procedures for Self Assessment of Internal Control";
  - Lifting of the non-competition restriction on directors;
  - Convention of 2021 annual general meeting, and acceptance of motion proposal from shareholders with more than 1% ownership interest;
  - Passed the 2021 Statement of Internal Control System.
2. Board Meeting of April 25, 2022:
  - First quarter consolidated financial statements;
  - Renewal and extension of the line of credit with banks;
  - To acquire right-of-use assets.
3. Board Meeting of July 25, 2022:
  - Second quarter consolidated financial statements;
  - Amendments to the Company's "Sustainable Development Principles".
4. Board Meeting of October 31, 2022:
  - Third quarter consolidated financial statements;
  - Amendments to the Company's "Regulations Governing Procedure for Board of Directors Meetings", "Rules for Performance Evaluation of Board of Directors", and "Accounting System";
  - To formulate the Company's "Procedures for Handling Material Inside Information".
5. Board Meeting of December 27, 2022:
  - The 2023 operating plan and budget;
  - The 2023 audit plan;
  - The proposal to apply for short-term line of credit from banks.
6. Board Meeting of February 13, 2023:
  - Allocation of employee remuneration for 2022;
  - Allocation of director remuneration for 2022;
  - 2022 financial statements, consolidated financial statements and business report;
  - Distribution of cash dividends from 2022 earnings;
  - Amendments to the Company's "Regulations Governing Procedure for Board of Directors Meetings
  - Lifting of the non-competition restriction on directors.
  - Convention of 2023 annual general meeting, and acceptance of motion proposal from shareholders with more than 1% ownership interest;
  - To formulate the Company's "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises", and "General Principles of Pre-approved Non-assurance Services";
  - Assessment of independence and appointment of financial statement auditor.
  - Passed the 2021 Statement of Internal Control System;
  - Establishment of the Company's subsidiary in Vietnam;
  - Appointment of the Company's vice president.



**3.3.13 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors during 2022 and as of the Date of this Annual Report:** None.

### 3.4 CPA's Information

Unit: NT\$ thousands

Accounting Firm	CPA	Audit Period	Audit Fee	Non-audit Fee (Note)	Total
Ernst & Young Taiwan	Wells Cheng Eric Kuo	January 1, 2022 ~ December 31, 2022	2,900	712	3,612

Note: Transfer pricing report, master file report, tax compliance audit and business registration.

#### 3.4.1 Change of CPA:

##### Former CPAs

Date of Change	Approved by BOD on February 13, 2023
Reasons and Explanation of Changes	In compliance with regulatory requirements on rotation, the engagement partner Wells Cheng will be replaced by Chih-Ming Chang from 2023. The co-signing partner will remain to be Eric Kuo
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Not Applicable
The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	None
Is There Any Disagreement in Opinion with the Issuer	No
Supplementary Disclosure	None

##### Successor CPAs

Accounting Firm	Ernst & Young Taiwan
CPA	Chih-Ming Chang, Eric Kuo
Date of Engagement	Approved by BOD on February 13, 2023
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

*The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards:* None.

#### 3.4.2 Pegavision's Chairman, President, and Managers in Charge of Its Finance and Accounting Operations Who Had Hold Any Positions within Pegavision's Audit Firm or Its Affiliates in the Most Recent Year:

None.

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

#### 3.5.1 Net Change in Shareholding

Relationship with Pegavision	Name	2022		01/01/2022~03/26/2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and Chief Strategy Officer	Peter Kuo	(159,000)	-	(119,000)	-
Director	T.H. Tung	-	-	-	-
Director & Shareholder with 10% Shareholdings or More	Kinsus Investment Co., Ltd.	-	-	-	-
Representative of Kinsus Investment Co., Ltd. and President	TS Yang	(150,000)	-	-	-
Representative of Kinsus Investment Co., Ltd.	Scott Chen	(9,000)	-	-	-
Director & Shareholder with 10% Shareholdings or More	Asuspower Investment Co., Ltd.	-	-	-	-
Representative of Asuspower Investment Co., Ltd.	Jeffrey Wun	-	-	-	-
Representative of Asuspower Investment Co., Ltd.	Wen-Yong Hou	-	-	-	-
Independent Director	Eric Yao	-	-	-	-
Independent Director	Shu-Yu Lee	-	-	-	-
Independent Director	Chi-Wan Lai	-	-	-	-
Senior Vice President	Terry Chang				
Vice President	I-Hong Pan	Note	-	-	-
Senior Division head of Finance & Accounting	Tony Wang	(27,000)	-	-	-

Note: Joined the management team since February 13, 2023.

#### 3.5.2 Stock Trade with Related Party: None.

#### 3.5.3 Stock Pledge with Related Party: None.

### 3.6 Relationship Party Relationship among Pegavision's 10 Largest Shareholders

As of March 26, 2023

Name	Current Shareholdings		Spouse & Minor Shareholdings		Pegavision Shareholdings by Nominee Arrangement		Name and Relationship between Pegavision's Shareholders	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Kinsus Investment Co., Ltd. (Rep.: T.H. Tung)	21,233,736	30.33	-	-	-	-	Kinsus Investment Co., Ltd., Asuspower Investment Co., Ltd., Asustek Co., Ltd.	Chairman of these companies is the same person
Asuspower Investment Co., Ltd. (Rep.: T.H. Tung)	5,480,121	7.83	-	-	-	-		
Asustek Co., Ltd. (Rep.: T.H. Tung)	4,934,434	7.05	-	-	-	-		
New Labor Pension Fund	3,695,580	5.28	-	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	1,817,000	2.60	-	-	-	-	-	-
HSBC Bank in Custody for Merrill Lynch International	1,612,000	2.30	-	-	-	-	-	-
Peter Kuo	1,569,868	2.24	156,249	0.22	-	-	Kinsus Investment Co., Ltd.	Director of the company
Teng-Yao Investment Co., Ltd. (Rep.: Keng-Wei Chang)	1,192,458	1.70	-	-	-	-	-	-
Public Service Pension Fund Management Board	1,017,000	1.45	-	-	-	-	-	-
T.H. Tung	645,729	0.92	-	-	-	-	Kinsus Investment Co., Ltd., Asuspower Investment Co., Ltd., Asustek Co., Ltd.	Representative

### 3.7 Long Term Investment Ownership

As of December 31, 2022

Long Term Investment	Ownership by Pegavision (1)		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries (2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
Pegavision Japan Inc.	198	100	-	-	198	100
Pegavision (Shanghai) Limited	-	100	-	-	-	100
Gemvision Technology (Zhejiang) Limited	-	100	-	-	-	100
Pegavision (Jiangsu) Limited	-	100	-	-	-	100
Mayin Investment Co., Ltd.	21,000,000	100	-	-	21,000,000	100
BeautyTech Platform Corporation	8,500,000	85	370,000	3.7	8,870,000	88.7
Aquamax Vision Corporation	11,000,000	100	-	-	11,000,000	100
FacialBeau International Corporation	2,750,000	55	590,000	11.8	3,340,000	66.8
BeautyTech Platform (Shanghai) Corporation	-	100	-	-	-	100
FacialBeau (Jiangsu) Corporation	-	100	-	-	-	100
IKIDO Inc.	198	100	-	-	198	100
RODNA Co., Ltd.	-	100	-	-	-	100
BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD.	200,000	100	-	-	200,000	100

# Capital and Shares

## 4.1 Capital and Shares

### 4.1.1 Type of Stock

Unit: Share

As of March 26, 2023

Type of Stock	Authorized Share Capital			Remarks
	Issued Shares	Unissued Shares	Total	
Common Stock	70,000,000	30,000,000	100,000,000	Listed

### 4.1.2 Capitalization

Unit: thousand share/NT\$thousand

As of March 26, 2023

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Documents No.
08/2009	10	80,000	800,000	36,000	360,000	Initial Capital 360,000	None	Note 1
07/2012	10	80,000	800,000	18,000	180,000	Capital Reduction 180,000	None	Note 2
08/2012	10	80,000	800,000	36,000	360,000	Capital Increase in Cash 180,000	None	Note 3
11/2012	10	80,000	800,000	42,000	420,000	Capital Increase in Cash 60,000	None	Note 4
01/2014	15	80,000	800,000	50,000	500,000	Capital Increase in Cash 80,000	None	Note 5
09/2014	30	80,000	800,000	60,000	600,000	Capital Increase in Cash 100,000	None	Note 6
10/2019	152	80,000	800,000	70,000	700,000	Capital Increase in Cash 100,000	None	Note 7
06/2023	-	100,000	1,000,000	70,000	700,000	Capital Increase in Cash 200,000	None	Note 8

Note:

1. 08/26/2009 Ministry of Economic Affairs Ching-Shou-Chung No. 09832938430
2. 07/17/2012 Ministry of Economic Affairs Ching-Shou-Chung No. 10132266400
3. 08/09/2012 Ministry of Economic Affairs Ching-Shou-Chung No. 10132358250
4. 11/22/2012 Ministry of Economic Affairs Ching-Shou-Chung No. 10132753120
5. 01/13/2014 Ministry of Economic Affairs Ching-Shou-Chung No. 10301006480
6. 09/10/2014 Ministry of Economic Affairs Ching-Shou-Chung No. 10301185990
7. 10/21/2019 Ministry of Economic Affairs Ching-Shou-Chung No. 10801143550
8. 06/13/2022 Ministry of Economic Affairs Ching-Shou-Chung No. 11101099380

**Shelf Registration:** None.

### 4.1.3 Composition of Shareholders

As of March 26, 2023

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	-	14	81	5,315	187	5,597
Shareholding	-	2,921,000	40,869,009	14,158,709	12,051,282	70,000,000
Holding Percentage	-	4.17	58.39	20.23	17.21	100

### 4.1.4 Distribution Profile of Share Ownership

Common Share/Par Value:NT\$10/share

As of March 26, 2023

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership Percentage
1-999	2,788	295,809	0.42
1,000-5,000	2,342	3,951,824	5.65
5,001-10,000	162	1,248,712	1.78
10,001-15,000	66	849,221	1.21
15,001-20,000	35	631,345	0.90
20,001-30,000	46	1,153,649	1.65
30,001-40,000	24	850,971	1.22
40,001-50,000	16	713,314	1.02
50,001-100,000	52	3,770,246	5.39
100,001-200,000	28	4,009,567	5.73
200,001-400,000	22	6,302,662	9.00
400,001-600,000	6	3,024,754	4.32
600,001-800,000	1	645,729	0.92
800,001-1,000,000	-	-	-
Over 1,000,001	9	42,552,197	60.79
Total	5,597	70,000,000	100.00

**Preferred Shares:** None.

### 4.1.5 Major Shareholders

Common Share

As of March 26, 2023

Shareholder	Total Shares Owned	Ownership Percentage
Kinsus Investment Co., Ltd.	21,233,736	30.33
Asuspower Investment Co., Ltd.	5,480,121	7.83
Asustek Co., Ltd.	4,934,434	7.05
New Labor Pension Fund	3,695,580	5.28
Cathay Life Insurance Co., Ltd.	1,817,000	2.60
HSBC Bank in Custody for Merrill Lynch International	1,612,000	2.30
Peter Kuo	1,569,868	2.24
Teng-Yao Investment Co., Ltd. (Rep.: Keng-Wei Chang)	1,192,458	1.70
Public Service Pension Fund Management Board	1,017,000	1.45
T.H. Tung	645,729	0.92

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

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

Item	2021	2022
<b>Market Price Per Share</b>		
Highest Market Price	678	519
Lowest Market Price	231	270.5
Average Market Price	446.65	406.18
<b>Net Worth Per Share</b>		
Before Distribution	78.37	91.82
After Distribution	69.87	81.82
<b>Earnings Per Share</b>		
Weighted Average Shares (thousand shares)	70,000	70,000
Diluted Earnings Per Share	17.84	22.03
<b>Dividends Per Share</b>		
Cash Dividends	8.50	10.00
Accumulated Undistributed Dividend	-	-
<b>Return on Investment</b>		
Price/Earnings Ratio	25.04	18.44
Price/Dividend Ratio	52.55	40.62
Cash Dividend Yield	1.90%	2.46%

#### 4.1.7 Dividend Policy and Distribution of Earnings

Based on the Company's Article of Incorporation, when allocating the earnings after the close of each fiscal year, Pegavision shall first estimate and reserve the taxes to be paid, offset its losses, set aside a Legal Capital Reserve at ten (10) percent of the remaining earnings provided that the amount of Accumulated Legal Capital Reserve has not reached the amount of the paid-in Capital of the Corporation, then set aside a Special Capital Reserve in accordance with relevant laws, rules or regulations or as requested by the Competent Authority. The Proposal Concerning the Distribution of Earnings of the remaining amount and the Accumulated Retained Earnings is prepared by the Board of Directors and submitted to the shareholders' meeting for the decision of distribution or retaining. If the above-mentioned dividends are distributed to shareholders in the form of cash, the Board of Directors have been authorized to approve by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and report to the shareholder's meeting.

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

The 2022 earnings appropriation proposal, as shown below, has been adopted by the board of directors during the meeting held on February 13, 2023. This proposal shall be executed according to relevant rules once it is resolved during the annual general meeting scheduled on May 24, 2023. The Company is currently in a stage of rapid growth. In the future, in line with overall capital demand and operation planning, the Company will every year distribute at least 5% of the that year's distributable earnings as cash dividend.

Unit: NT\$

Item	Amount
Beginning retained earnings	2,018,562,292
Reorganization adjustments	(5,423,259)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(9,167,814)
Net income after tax in 2022	1,542,134,970
Subtotal	3,546,106,189
Appropriation items:	
Legal capital reserve (10%)	(152,754,390)
Special capital reserve	3,432,483

Item	Amount
Distributable amount	3,396,784,282
Distribution:	
Cash dividends paid to common shareholders (NT\$ 10 per share)	(700,000,000)
Unappropriated retained earnings	2,696,784,282

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

**4.1.9 Compensation to Directors and Profit Sharing to Employees**

***Percentage or Range of Employee/Director Remuneration Stated in the Articles of Incorporation***

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

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

***Basis for Estimating Employee/Director Remuneration and Stock Dividends, and Accounting Treatments for Any Discrepancies Between the Amounts Estimated and the Amounts Paid***

Employee and director remuneration are determined based on the percentages outlined in the Articles of Incorporation, and estimated for each financial year. The Company recognized NT\$231.589 million of employee remuneration and NT\$20.138 million of director remuneration in 2022; both amounts were presented as part of salary expense. The board of directors meeting dated February 13, 2023 passed a resolution to distribute NT\$231.589 million of employee remuneration and NT\$20.136 million to director remuneration. Any difference between the amount estimated and the amount resolved by board of directors is recognized through next year's income statement.

***Information of Employee Remuneration Approved by Board of Directors in 2022***

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

	Amount allocated (NTD)
Employee remuneration - in cash	231,589,045
Director remuneration	20,136,000

The above director and employee remuneration were accrued in 2022. The difference of \$2,000 between the amounts appropriated in 2023 and the amounts recognized in the 2022 financial statements was reported as profit or loss in the following year.

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

***Distribution of Employee/Director Remuneration in the Previous Year***

Amount of 2021 employee remuneration, share-based compensation and director/supervisor remuneration resolved during board of directors meeting held on February 15, 2022:

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

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

**4.1.10 Buyback of Common Stock:** None.

**4.2 Issuance of Corporate Bond:** None.



**4.3 Preferred Share:** None.

**4.4 Issuance of Global Depositary Receipts:** None.

**4.5 Status of Employee Stock Option Plan:** None.

**4.6 Status of Employee Restricted Stock:** None.

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

**4.8 Financing Plans and Implementation:** Not applicable.

## Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

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

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

#### Current Products and Services

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

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

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

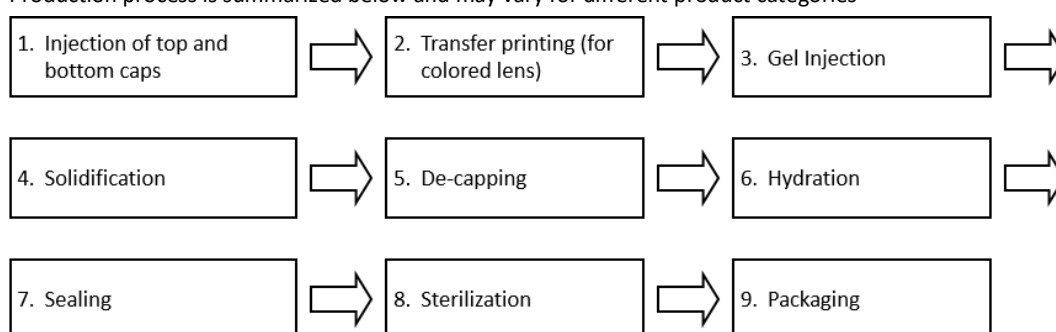
#### Current Main Products and Weight

Unit: NT\$ thousands

Product \ Year	2021		2022	
	Net operating revenues	Weight (%)	Net operating revenues	Weight (%)
Contact lens	5,595,043	100.00	6,303,803	99.80
Others	0	0.00	12,395	0.20
Total	5,595,043	100.00	6,321,198	100.00

## Production Process

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



## 5.1.2 Industry Overview

### Association Between Upstream, Midstream, and Downstream Industry Participants

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

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

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

The Company is in the midstream industry with a global market size of approximately US\$9.9 billion<sup>i</sup> at present. The industry has high barriers to entry and is an oligopolistic market. The top four companies, Johnson & Johnson, Cooper, Alcon and Bausch & Lomb, account for more than 90% of the market share. As for Taiwanese companies, the total export amounts including the Company, Kingo, St. Shine, Visco Vision and Vizionfocus were US\$520 million in 2022, decreased 2.7% as compared to the previous year.

### Lens Material

There are two main categories: hydrogel and silicone hydrogel. In developing countries or regions where contact lenses are less popular, such as China and Southeast Asia, hydrogel-based products still enjoy strong demand growth due to price advantage. As for regions where demand is near saturation, growth will be shifting towards silicone hydrogel, which offers up to 7 or 8 times the oxygen permeability and makes a great difference when worn over an extended period of time. However, due to the use of silicon for oxygen transfer, silicone hydrogel is a more rigid material compared to traditional hydrogel, which makes comfort and production cost the two most challenging problems to overcome as well as the two key factors to success.

<sup>i</sup> Cooper Companies, Investor Presentation, December 8, 2022, page 7.

According to a study by Contact Lens Spectrum<sup>ii</sup>, 75% of new soft contact lens prescriptions in 2022 were for silicone hydrogel and 25% were for hydrogel. This ratio varies significantly between countries, for example: 88% in the US, 62% in Japan, and 25 in Taiwan. Overall, the use of silicone hydrogel has continued to increase by 2% as compared to the previous year.

### **Lens Function**

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

### **Wearing Cycles**

There are various wear cycles such as daily, weekly, bi-weekly, monthly, quarterly, half-yearly, and more than one year. In 2022, the daily disposable lens accounted for 52% of the contact lens market, representing an 2% increase compared to the previous year; the weekly and bi-weekly disposable lens accounted for 15%, representing a 1% increase compared to the previous year; and the monthly disposable lens accounted for 32%, representing a 1% decrease compared to the previous year<sup>v</sup>. The daily and monthly disposable lens continue to dominate the market, the daily disposable lens seem to gradually take over the market.

### **Solutions**

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

## **5.1.3 Technological Research and Development**

### **Annual R&D Expenses**

The Company committed NT\$575.925 million of its R&D expenses in 2022, amounting to 9.11% of operating revenue.

### **Technologies or Products Successfully Developed in 2021**

#### **1. Production technology development**

- Developed the packaging system AOI 4.0 and AI inspection system for the appearance of finished goods to reduce the human resources required for manual inspection and improve the stability of product quality.
- Introduced the small batch elastic production system 1.0 in response to the production model of small volume and a large diversity of cosmetic lenses to improve production and efficiency and human resources.
- Established the cosmetic pattern design assisting 3.0, an automated generation system of cosmetic patterns, and significantly reduced the human resources invested in artistic design.

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<sup>ii</sup> INTERNATIONAL CONTACT LENS PRESCRIBING IN 2022, *Contact Lens Spectrum*, January 2023.

<sup>iii</sup> Investor Presentation, March 2, 2023, Cooper Companies Inc., 7.

<sup>iv</sup> Global Contact Lenses For Myopia Control Sales Market Report 2021, MarketResearch.com.

<sup>v</sup> CONTACT LENSES 2022, *Contact Lens Spectrum*, January 2023, Table 3.

## 2. Product development

- High hydrophilic and moisturizing daily disposable cosmetic silicone hydrogel-based lens: We have developed specific hydrophilic substances with special formulas to eliminate surface defect of traditional silicone hydrogel products and further enhance the wearers' satisfaction. The goal of this formula is also to simplify the manufacturing process and reduce waste, in order to significantly reduce the chemical materials required in the manufacturing process and the subsequent waste disposal.
- High moisturizing/lubrication silicone hydrogel-based daily disposable lenses: The Company's silicone hydrogel-based lenses are made by applying Pegavision's proprietary multi-layer surface modification technologies to improve wearers' comfort and reduce the attachment of protein and lipids. The biomedical modification ingredients possess high biocompatibility and high moisturizing/lubrication features, rendering brand-new wearing experiences for wearers; meanwhile, we significantly reduced the amount of wastewater and organic solvents generated from the manufacturing process to minimize the load of environmental pollution.
- New generation blue light blocking lens: We made use of the color compensation technology with a diversified combination to achieve a higher level of protection in our products and achieved an effect of blue light blocking significantly more favorable than the existing products on the market. We also corrected the problem of the odd, dark yellow appearance of general blue light-blocking products to materially improve the willingness to wear such lenses and achieve substantial protection, minimizing the occurrence rate of AMD to modern people resulting from the long-term use of 3C products.
- Pearlescent cosmetic lens: Adopted pigment ingredients approved by the FDA to match with the exclusive ink formula and protection layer developed by Pegavision to infuse new visual feasts in the cosmetic lens market with increasingly intensified competition.
- Toric multifocal 3-in-1 lens: Combining our exclusive astigmatism technology and intelligent multifocal design, this lens is a niche product that complements the toric presbyopic lens in the high-end optical segment.

### *Future R&D Plans*

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

#### 1. Production technology

- Development of the small batch elastic production system 2.0 to advance the model of small volume and large diversity.
- Cosmetic steel plate automated laser pattern inspection minimizes detection misses by adopting visual inspection by human resources.
- Development and the introduction of LED UV curing to the dry lens manufacturing process to achieve the objective of energy-saving and carbon dioxide reduction.
- Develop cosmetic pattern design assisting 4.0 to improve the automated generation and color blending technologies of patterns to provide diverse options for customers.
- Develop a packaging equipment automated feed system to minimize the human resources invested in the wet lens manufacturing process.
- Development and introduction of 5G smart applications (smart factory).

#### 2. Product

- High hydrophilic daily disposable cosmetic silicone hydrogel-based lens with high OTR: Develop specific hydrophilic substances with special formulas to eliminate the surface defect of traditional silicone hydrogel products and carry out complicated lens surface modification procedures to improve the wearers' satisfaction. The goal of this formula is also to simplify the manufacturing process and reduce waste, become a new generation energy-saving and carbon dioxide reduction green product, and satisfy the demand of consumers for cosmetic lenses.
- Functional contact lenses: The Company made use of the contact lenses to continue to develop a brand-new active ingredient transmission system. In the future, the safety and function verification tests will be completed one after another in the hope of allowing wearers to prevent eye diseases due to reactions to external environments or autoimmunity during the course of vision correction, improving living comfort.
- Myopia control lens.

### *Expected R&D Expenses*

The Company expected to invest over NT\$560 million into the R&D of various products and technologies in 2023 to ensure the Company's long-term competitiveness.

## 5.1.4 Market Analysis

At present, the estimated total revenue generated by soft contact lens manufacturers worldwide is US\$10.1 billion<sup>vi</sup>, representing a year-on-year growth of 5%. The Company generated consolidated revenues of approximately US\$212 million in 2022, representing roughly 2.1% of the global market share. The growth momentum of the industry will remain unchanged, including the continuous increase in the myopic population and in the users of daily disposable products and silicone hydrogel materials. We estimate the annual growth rate will remain at 4% to 6% in the long run

Domestic sales and export sale accounted for 12% and 83% of the Company's consolidated revenue in 2022, respectively.

### Production in 2022 and 2021

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

Contact Lenses			
Year	Capacity	Output	Amount
2022	60,618	54,599	3,049,475
2021	53,115	50,261	2,701,415

### Consolidated Shipments and Net Revenue

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

Year Sales destination		2021		2022	
		Shipments	Amount	Shipments	Amount
Domestic	Contact lens	3,031	637,515	3,713	756,114
	Others	-	-	32	12,395
Export		47,104	4,957,528	51,411	5,552,689

## 5.1.5 Long and Short-Term Business Plans

### Short-Term Business Plans

In the post-pandemic era, the retail sales of contact lenses worldwide have been improving, and the market has recovered to the initial level at present, even exceeding the sales standards before the pandemic (i.e. 2019), which is beneficial for the elimination of inventories by brand and channel customers, allowing the market to return to the normal and stable order-placing model. The short-term business development of the Company primarily focuses on the following items:

- Obtained licenses for new products in Japan to satisfy comprehensive market demand

For hydrogel products, the Company has obtained comprehensive licenses in Japan, including (1) myopia and hyperopia optics, (2) astigmatism optics, presbyopia optics, (4) pressure-relieving optics, (5) blue light blocking, (6) cosmetic lens, (7) moisturizing solutions (HA and PMB), and (8) cooling solution.

For astigmatism, as the level of professionalism required for sales is high, the market is mainly physical channels with the assistance of optometrists at present. A new business model shall be established for market promotion.

For blue light blocking, with the specification of full-range blue light blocking rate  $\leq 25$  under the Company's license, products can effectively reduce damage to consumers' eyes due to the blue light they come into contact with arising from regularly staring at 3C screens. Also, the concept and demand for blue light-blocking contact lenses have been forming in the market; the Company has been in discussion with multiple brands.

The aspherical pressure-relieving lens allows the relief of IOP due to the long-term use of eyes in a short distance, achieves optimal refraction when looking at a short distance, and minimizes the IOP.

The Company is able to customize various products based on the features of different channels and requirements of different brands, which is highly beneficial for obtaining various demands and further expanding our market share in Japan.

- Promote high-end silicone hydrogel and astigmatism hydrogel products in Europe

The implementation of MDR replaced MDD; before obtaining a new product license under MDR, high-end silicone hydrogel and astigmatism hydrogel products will become the growing momentum for sales in Europe with our existing MDD product license.

<sup>vi</sup> Investor Presentation, March 2, 2023, Cooper Companies, Inc., 7.

We developed three groups of disposal cycles and specifications for high-end silicone hydrogel materials in response to the demand of the European market: daily lens, two-week lens, and monthly lens. Optician services in European countries are primarily silicone hydrogel lenses, which accounted for approximately 70%. Pegavision's high-end silicone hydrogel lenses are comfortable and easy to wear, and there is no discomfort after long-term wear; such lenses possess market competitive strength and are beneficial for the increase in foundry orders.

By combining astigmatism hydrogel materials with general myopia and hyperopia lenses, the Company can assist brands in establishing comprehensive product lines and assist brands of online sales of cosmetic store sales in grasping the opportunities to enter the physical channels of optometrists and ophthalmologists, and in turn, expand the market share of Pegavision.

- Explore high-end hydrogel products and large-scale channels in the U.S.

High-end hydrogel products possess special water-trapping functions; therefore, it is unlikely to feel eye dryness due to dehydration after long-term wear, which is beneficial for new customer development. For existing customers, as Pegavision fulfills the standards required by large-scale channels in terms of technical services, it can assist customers in increasing the number of stores in large-scale channels.

- Maintain elasticity to respond to changes due to multiple variants in the China market

In the past, under the effects of the pandemic, the sales for Chinese Single Day in 2022 and the sales for International Women's Day in 2023 of all brands were less than expected, resulting in high inventories of brands and intensified pressure and the strength of pull-in recorded a slowdown in Q1 2023. In addition, the sales of a single item may have abrupt increases in demand due to sales activities of different channels; therefore, maintaining production elasticity to respond to the rapidly changing China market will be a significant challenge in the near future.

Looking into Q2 2023, market consumption recovered due to the release of pandemic measures; we have positive estimates regarding the increase in the pull-in demand of customers for the shopping season in the middle of the year. It is expected that the market will return to stable, facilitating the recovery of normal new product development and sales.

Sales by cross-border e-commerce are beneficial for products with no licenses obtained in China to enter China market; existing large-scale customers sell products with licenses obtained in other countries on the platform to bring benefits for the foundry party.

## **Long-Term Business Plans**

The development of mid-to-long-term development may be divided into the following aspects:

- New product

Mid-end and low-end silicone hydrogel products offer comprehensive options for customers of the silicone hydrogel category. Regarding the silicone hydrogel products of Pegavision, apart from the high-end specification above, a new texture of the mid-end specification has been developed, primarily focusing on daily lenses; the Company will initiate license acquisition plans in major international markets.

3<sup>rd</sup> generation blue light-blocking products. The 3<sup>rd</sup> generation blue light-blocking products will be combined with high-end hydrogel to provide a better blue light-blocking rate and maintain the moisturizing sensation when worn. We will continue to promote the market acceptance and popularization of blue light-blocking products.

- New design product

Children's myopia control: Apply the optical design developed by Pegavision in the field of children's myopia control to help groups that are not comfortable with the existing hard lenses in the market. Currently, we are undergoing clinical trials with mass participants.

Medical contact lenses: Develop a new lens chemical structure to attach and refill medication and grasp the structural characteristics of medication and teardrop exchange to become the vehicle for eye medication, significantly improving the treatment effects of eye medication.

- Advance in delivery

Reduce minimum ordering volume: Apart from astigmatism and other products with large SKUs, cosmetic lenses have multiple designs, and the market changes rapidly; brands may often and easily have multiple non-popular designs in stock. Pegavision developed and improved its production line and manufacturing process designs by adopting the philosophy of smart production to reduce the production volume of a single SKU, assisting customers in minimizing their inventory pressure.

Shorten delivery term: Design a new production management model and shorten the period of the manufacturing process, allowing brands to accurately place orders for products and have less capital pressure, improving customer engagement.

- Production capacity

Existing customers are requesting further production capacity to respond flexibly to potential emergency demands or urgent orders. The demand of new customers shall also be prepared apart from the existing production capacity. In addition, to respond

to the possibility of promoting new short-term and long-term products, our production capacity will become more elastic after the completion of the new plant in Daxi, which will be able to satisfy the subsequent growth in demand.

Pegavision continues to make advances and innovations in all aspects and optimize and adjust products, manufacturing processes, equipment, and service models. We will maintain the growing momentum and niche advantages, invest resources in R&D, keep abreast of industry changes and development through cooperation with large-scale international companies and research institutions, make arrangements for the location of markets and opportunities, and prepare ourselves.

### 5.1.6 Competitive Advantage

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

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

2. Unique production procedures that raised overall customer service capacity

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

3. Production automation and cost advantages from economy of scale

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

4. Rigorous certification

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



## 5.1.7 Future Opportunities, Threats, and Response Strategies

### 1. Opportunities

- Production automation and automated optical testing system

The Company has designed its own fully automated optical testing system that greatly improves production efficiency and product quality. The Company is able to eliminate human involvement from mold injection to the completion of dry lens, while at the same time keeping quality consistent.

- Professional talents in materials, optics, equipment and product design

More than 200 of the Company's employees are R&D personnel. Pegavision's management team has extensive operational experience in the field of contact lenses. The Company has a comprehensive training system in place to develop the professional talents needed to support proprietary development of equipment and materials, proprietary optics design and offer product design as a service to customers.

- A closed industry with high barrier of entry

Contact lens is classified as a medical instrument and is therefore governed by medical instrument regulations. The long product development cycle, differences in regulation, difficulty involved with certification, the technology-intensive nature of the business, the complexity of lens design (involving ophthalmology, optometry and physical optics) and synthesis of high polymer lens materials all make contact lens an oligopoly with high barrier of entry. Furthermore, contact lenses are characterized by long product life cycle. The Company has been able to develop technical capacity and improve competitiveness through OEM, ODM, research, development and operation of a proprietary brand.

### 2. Threats

- Markets are dominated by few international manufacturers

The market's top 4 contact lens brands control most of the market share, and their strong brand image presents significant competitive barrier anywhere in the world. Together, they leave very little room for other brands to survive or for newcomers to thrive.

#### Response strategies:

The market's top 4 contact lens companies operate with such a large scale and profound reputation that makes them less flexible to change, and in some regions, their extensive history may even pose a burden on distribution. The Company specializes in flexible production and prides its ability to adopt different business models for different markets. For example: Pegavision was the first company to open stores exclusively for selling contact lenses and launch limited editions of contact lenses in Taiwan; whereas in Mainland China, Pegavision became the first company to set up a flagship store for contact lenses on the popular e-commerce platform - Tmall. Flexible business models and pricing strategies not only helped the Company build up relationship with customers, they also allow the responsive and quick decision-making needed to grow the international market and appeal to clients worldwide.

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

- New product development takes time; laws and certification vary from country to country and often pose high barrier of entry
- Contact lens is classified as a medical instrument and is therefore governed by medical instrument regulations. The long product development cycle, differences in regulation and the difficulty and high costs associated with certification all present barriers of entry into the contact lens market.

#### Response strategies:

The Company has a dedicated legal team in place to handle the different licensing requirements and regulations between countries. The team has proven capable of obtaining certifications in many countries around the world, thereby allowing the Company to build a complete product lineup for the ultimate one-stop shopping experience.

## 5.1.8 Supply of Key Materials

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

## 5.1.9 Major Suppliers and Main Customers

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

Unit: NT\$ thousands

2021				2022			
Supplier	Procurement Amount	As % of Total Net Procurement	Relation to Pegavision	Supplier	Procurement Amount	As % of Total Net Procurement	Relation to Pegavision
Company A	136,156	17.11	-	Company B	109,491	13.77	-
Company B	103,883	13.05	-	Company A	99,784	12.55	-
Company C	71,520	8.99	-	Company C	77,974	9.80	-
Others	484,319	100.00	-	Others	508,052	63.88	-
Total Net Procurement	795,878	17.11	-	Total Net Procurement	795,301	100.00	-

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

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

Unit: NT\$ thousands

Customer	2021			2022		
	Net Revenue	As % of Total Net Revenue	Relation to Pegavision	Net Revenue	As % of Total Net Revenue	Relation to Pegavision
Customer A	1,118,525	19.99	-	1,621,890	25.66	-
Customer B	909,118	16.25	-	Note	-	-
Others	3,567,400	63.76	-	4,699,308	74.34	-
Total Net Revenue	5,595,043	100.00	-	6,321,198	100.00	-

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

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

## 5.1.10 Material Contracts

As of March 26, 2023

Nature of contract	Parties involved	Contract start/end date	Main Content	Restrictive clauses
Construction contract	Lih Hwa Construction Company Limited	2019/08/28 ~ end of the warranty period	Daxi Plant construction	None
Purchase agreement	Lih Hwa Construction Company Limited	2019/08/28 ~ end of the warranty period	Materials for Daxi Plant construction	None
Lease agreement (expired)	Pegatron Corporation	2022/05/01 ~ 2025/08/31	Plant leasing	None
Long-term borrowing contract	Chang Hwa Commercial Bank Beitou Branch	2020/03/25 ~ 2025/03/15	Long-term borrowing	To perform in accordance with Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan
Long-term borrowing contract	Shanghai Commercial and Savings Bank Zhongli Branch	2020/11/10 ~ 2030/10/15	Long-term borrowing	To perform in accordance with Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan
Long-term borrowing contract	Mega International Commercial Bank Lanya Branch	2021/10/08 ~ 2026/09/15	Long-term borrowing	To perform in accordance with Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan

## 5.2 Human Capital

### 5.2.1 Workforce Structure

		12/31/2021	12/31/2021	03/26/2022
<b>Employee Number</b>	General	1,596	1477	1,455
	R&D	222	224	228
	Total	1,818	1,701	1,683
<b>Education</b>	Ph.D.	0.39%	0.53%	0.71%
	Master's	8.75%	8.76%	8.56%
	Bachelor's	51.82%	55.20%	55.91%
	High School	34.10%	32.04%	31.25%
	Below High School	4.95%	3.47%	3.57%
<b>Average Years of Age</b>		33	34	33
<b>Average Years of Service</b>		2.94	3.64	3.71

### 5.2.2 Employee Welfare Measures

#### Employee Compensation

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

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

The total salary expense for 2022 was NT\$1,424.809 million and the weighted average number of employees was 1,768, resulting in an average annual salary of NT\$806,000 per employee.

#### Employee Benefits

In addition to providing employee meal allowance, departmental dinner allowance, year-end activity, group comprehensive insurance, regular health checkup, employee purchase discount, employee travel or family day, the Company also allocated 0.15% of revenue and 40% of scraps to employee benefits and use them for employees' birthdays, festivals, labor day bonuses, wedding and funeral subsidies, and year-end activity raffles. In 2022, the Company contributed more than NT\$81 million:

Item	Amount(NT\$ thousand)
Employee benefits	27,014
Group comprehensive insurance	3,343
Regular health checkup	792
Employee meal allowance	42,455
Departmental dinner allowance	1,264
Year-end activity	7,026
Total	81,894

## Diversity and Equality in the Workplace

As of December 31, 2022, the Company (excludes subsidiaries) had 1,701 employees, 59% were female employees; there were 21 female supervisors, representing 27% of the total number of supervisors.

Employment Categories		2022			
		Male	%	Female	%
Number of Employee	Direct	487	37%	818	63%
	Indirect	216	55%	180	45%
	Total	703	41%	998	59%

Year	Item	Senior supervisors		Mid-level supervisors		General employees	
		Male	Female	Male	Female	Male	Female
2022	Employee number	18	3	40	18	645	977
	Percentage	1%	0.2%	2%	1%	38%	57%

## Leave of Absence

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

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

## Employee Training and Education

In order to enhance the competitiveness of the Company and strengthen the training structure and system, the company introduced the Talent Quality Management System (TTQS) into the Company and won a silver medal award from the Labor Development Department of the Ministry of Labor in 2020. The Company has training programs in place to help employees develop professional knowledge and skills, which in turn maximizes work capacity, efficiency and quality to support the Company's growth and sustainability goals. The Company offered a broad diversity of training programs, including orientation, on-job training, employee safety and health training, specialist courses and external courses that are relevant to employees' duties. Together, the Company provided complete means for employees to develop the professional capacity and competitiveness needed to succeed in their roles. In addition to the above, the Company also emphasizes on exploring employees' potentials and balanced characters, and arranged a series of courses targeted at building "soft power" and fundamental characters that may eventually contribute to professional skills. In 2022, the total number of employee training hours was 38,789.5, the total number of trainees was 1,701, and the number of average training hours per person was 22.8.

## Retirement system and implementation

The Company complies with "Labor Pension Act" (i.e. the New Scheme) and makes monthly contributions equal to 6% of employees' salary into their dedicated pension accounts held with Bureau of Labor Insurance. Employees also have the option to make voluntary pension contributions up to 6% of monthly salary, which are fully deductible when filing Individual Income Tax Return. The Company has no employees who are subject to the "Labor Retirement Reserve Fund (The Old Fund)."

## Labor-Management Coordination and Protection of Employees' Interests

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

Communication Channels	Number of meetings/cases in 2022
Labor-Management Meeting	4 times
Sexual Harassment Committee	0 case
Occupational Safety and Health Committee	4 times

Promotion Review Committee	0 time
Employee Suggestion Mailbox	3 cases

The Company conducts annual human rights campaigns for all employees (including foreign employees) to ensure that employees are aware of their human rights. A total of 1,680 employees completed the education and training in November 2022.

***Losses Arise as a Result of Employment Disputes in 2022 and Up Until the Publication Date of Annual Report (Including Violations against Labor Standards Act Found During Labor Inspection):*** None.

### ***Employees' Safety, Protection Measures in Work Environment and Implementation***

The Company obtained OHSAS 18001 (Occupational Health and Safety Assessment Series) system certification in 2016, and has implemented the international occupational safety and health management system ISO 45001 in 2020 to link up with the world. The verification is valid from October 21, 2022 to October 20, 2023, and is verified by an external verification agency every year to ensure the efficacy of the system.

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

As for the management structure, in addition to the Occupational Safety and Health Section, which is responsible for the planning, promotion and supervision of various occupational safety and health issues, the Company also has an Occupational Safety and Health Committee, chaired by the President, and an Executive Secretary. The members include supervisors, administrators and assistants of occupational safety and health, nurses, supervisors from various departments, and labor representatives. The Committee meets regularly to review, coordinate and recommend safety and health-related issues. The Occupational Safety and Health Committee met four times in 2022.

In 2022, a total of 359 courses on environmental health and safety were held, including occupational safety training for new and current employees, ISO 45001 occupational health and safety management system education training, respiratory protection equipment training, and contractor education training. The total number of trainees was 1,451. The Company also conducts emergency response drills once every six months to prepare for all kinds of emergencies. In the first and second half of 2022, the Company held a four-hour fire drill and a four-hour toxic chemical substance drill to enhance the employees' ability to respond to emergencies and protect the operational safety of the Company.

There were 13 occupational accidents in the factory and 13 traffic injuries outside the factory in 2022, accounting for 26 employees, or 1.5% of the average number of employees in the year. All these incidents have been thoroughly investigated and reviewed for improvement.

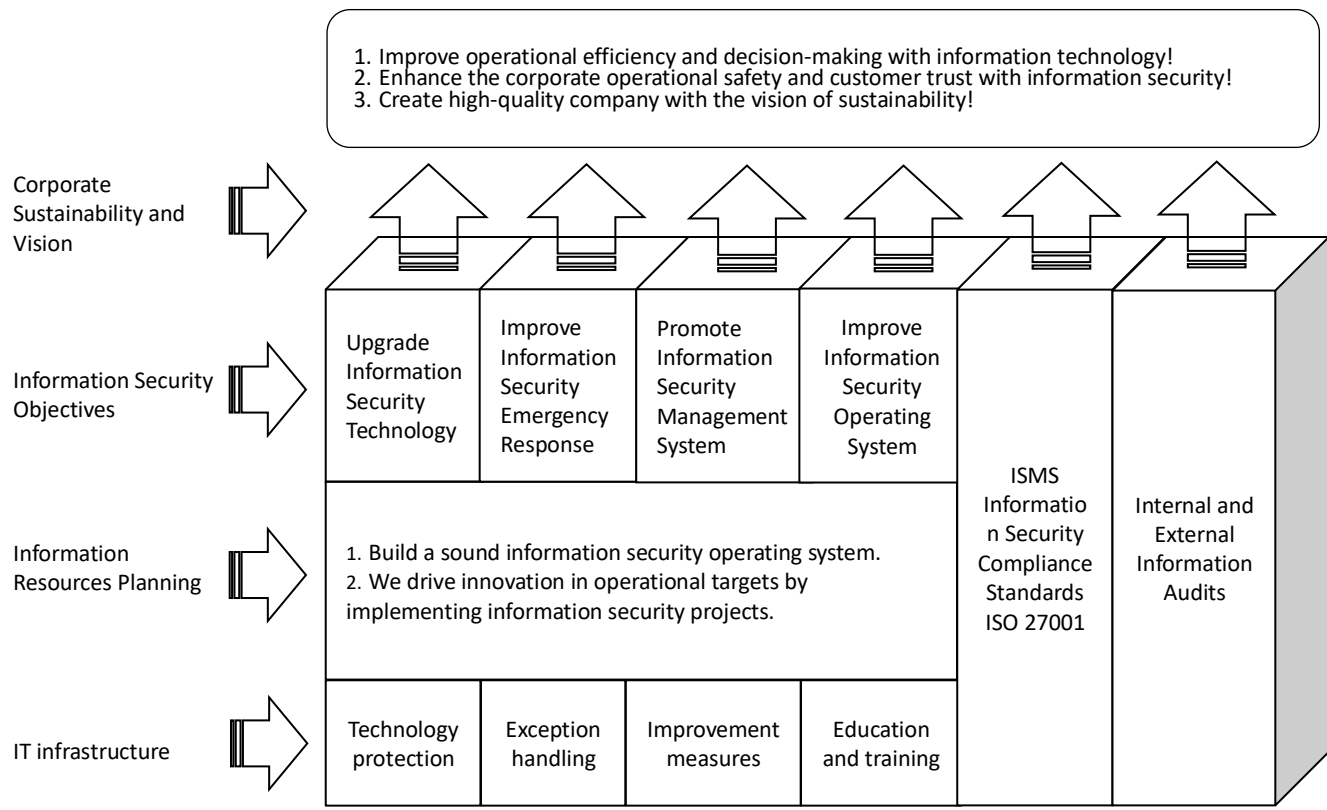
5.3 Cyber Security Management

5.3.1 Management Structure

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

5.3.2 Cyber Security Policy

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



### 5.3.3 Management Solution

#### Technology Protection

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



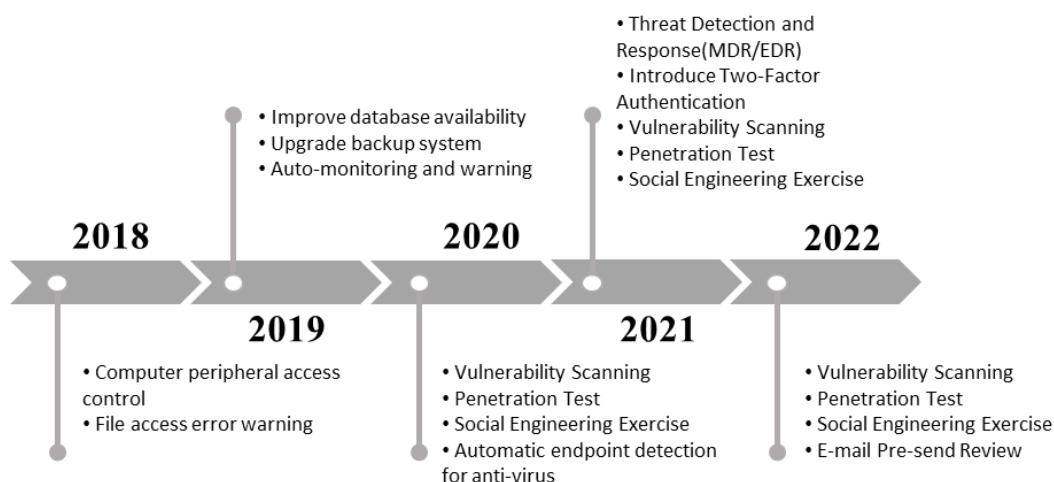
#### Improvement Measures/Education and Training

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

#### Exception Handling

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

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



### 5.3.4 Resources Invested in 2022

- Made 5 information security announcements and conducted 1 social engineering drill.
- Conducted 2 system backup drills.
- Conducted 1 system vulnerability scanning and 1 external penetration test.
- Conducted 1 hour of information security online training, with 538 employees participated.
- Purchased enterprise information security risk management insurance.

### 5.3.5 Losses from Major Cyber Security Incidents: None.

## 5.4 Enterprise Sustainability

### 5.4.1 Government Structure

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

Team members	Responsibilities	The implementation status for the year 2022 (Note)
President Office	Corporate governance, risk management, and sponsorship	Please refer to the “3.3 Implementation of Corporate Governance” on page 17-34 of this Annual Report.
Occupational Safety	Waste management, occupational safety and health	Please refer to “Employees' safety, protection measures in work environment and implementation” on page 54, “Waste” and “5.4.3 Environmental Costs” on page 59 of this Annual Report.
Factory Affairs	Energy management	The MAU located in the certified line of the Daxi factory was adjusted, the 420RT chiller in the Guishan factory was replaced, and two 400HP air compressors in the Guishan factory were replaced.
Legal affairs	Fair competition	The Company does not engage in any anti-competitive conduct, antitrust or monopoly related litigation.
Human Resources	Employee benefits and compensation, recruitment and retention, career development and training, and human rights protection	Please refer to “5.2 Human Capital” on page 52-54 of this Annual Report.
Procurement	Supplier management	Total amount of green procurement was \$6,530,959.
Quality Assurance	Product quality and supplier management	We conducted on-site evaluations on 6 suppliers, remote evaluations on 5 suppliers, and written evaluations on 2 suppliers. The audit did not find any major defects.
Sales	Customer services and customer satisfaction	OEM customers' satisfaction was 96%.
Information security	Information security	Please refer to “5.3 Cyber Security Management” on page 55-56 of this Annual Report.

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

In addition to the report on the Company's sustainable development implementation status to the board of directors on April 25, 2022, the chairman of Corporate Sustainability Team also report the operation and implementation status of risk management to the board of directors on December 27, 2022. The directors not only fully evaluated the appropriateness of the management policies, strategies, objectives and improvement measures in the report, but also provided guidance to the management team when necessary.

### 5.4.2 Risk Assessment

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

Material Issues	Risk Assessment Items	Risk Management Policies or Strategies
Environmental	Climate change, energy saving and carbon reduction	<ul style="list-style-type: none"> <li>• Establish environmental safety and health policy;</li> <li>• Introduce ISO 14001 environmental management system and ISO 14064-1:2018 greenhouse gas certification;</li> <li>• Continuously monitor energy consumption and performance indicators, regularly compile annual performance statistics, and present the results to senior executives at management meetings.</li> </ul>
Social	Employee compensation and benefits	<ul style="list-style-type: none"> <li>• Based on the education, experience, professional knowledge and skills of the employees, the Company provides a base salary in line with the market rate. The employee salary also includes:               <ul style="list-style-type: none"> <li>(1) A quarterly bonus based on a certain percentage of net profit</li> </ul> </li> </ul>



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

### 5.4.3 Environmental Protection

The following data covers our Guishan and Daxi factories:

#### Greenhouse Gas (GHG)

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

Year	2020	2021
Unit: ton CO2 equivalent		
Category 1: Direct GHG emissions	207.5575	228.9767
Category 2: Indirect GHG emissions from imported energy	26,612.2424	39,213.7787
Category 4: Indirect GHG emissions from products used by the organization	9,985.92	15,616.5605
Total	36,805.723	55,059.316
Unit: CO2 equivalent		
Emission from product per unit	0.09	0.07

According to the inventory results, the Company's main source of emissions was purchased electricity. It accounted for more than 70% of the total emissions, while the rest were indirect GHG emissions from products used by the Company (including imported electricity and raw materials). Therefore, the Company's GHG reduction policy shall focus on improving energy use efficiency, such as replacing energy-saving equipment. The emission of product per unit in 2022 has significantly reduced by 30% from 2019, the base year, surpassing the planned target. The Company hopes to reduce the emission of product per unit to 65% of the base year in the following five years.

#### Water Usage

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

Year	2021	2020
Unit: degree		
Total water consumption	323,400	313,134
Water consumption per million units of product	436	393

The water consumption per million units of product in 2022 decreased by 53% from 2019 (the base year), and by 10% from the previous year. In 2022, the Company also completed the water recovery system to recycle the water generated from the process at the Guishan factory to improve the water recycling rate of the factory by 16.5%, surpassing the planned target. The Company hopes to reduce the water consumption of products per million units by 55% from the base year by 2027.

## Waste

Wastes of the Company are primarily harmless business wastes that can be recycled and reused, followed by general domestic waste from employees and waste copper foil. The total weight for the last two years is:

Year	2021	2022
Unit: kilogram		
Non-Hazardous Industrial Waste	2,717.613	2,582.627
Hazardous Industrial Waste	28.047	66.540
Total waste	2,745.660	2,649.167
Waste per million units of product	3.70	3.33

The Company follows a strict waste classification and management mechanism to reduce the impact on the environment. Our waste disposal objective is to recycle and use the waste. The parts that cannot be recycled and reused will be shredded and destroyed for secondary recycling. Some waste is treated by incineration. In 2022, the total weight of waste for product per million units reduced by 10% as compared to the preceding year and reduced by 15% as compared to the base year, 2020. The Company hopes to achieve a reduction of 20% of the total weight of waste for products per million units as compared to the base year by 2027.

### 5.4.4 Environmental Costs

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

## Financial Highlights and Analysis

### 6.1 Financial Highlights

#### 6.1.1 Condensed Balance Sheet from 2018 to 2022 (Audited)

##### Consolidated Balance Sheet

Unit: NT\$ thousands

Item \ Year	2018	2019	2020	2021	2022 (Note)
Current Assets	1,560,422	1,987,183	2,890,778	3,262,570	3,970,829
Property, Plant and Equipment	2,059,794	3,029,925	3,090,551	4,915,392	5,037,447
Intangible Assets	2,306	4,536	6,296	14,082	22,223
Other Assets	524,882	288,061	428,406	372,872	531,098
Total Assets	4,147,404	5,309,705	6,416,031	8,564,916	9,561,597
Current Liabilities					
Before Distribution	1,645,351	1,188,472	1,716,966	2,778,429	2,441,504
After Distribution	1,735,351	1,363,472	2,066,966	3,373,429	3,141,504
Noncurrent Liabilities	494,211	67,528	103,350	278,060	634,361
Total Liabilities					
Before Distribution	2,139,562	1,256,000	1,820,316	3,056,489	3,075,865
After Distribution	2,229,562	1,431,000	2,170,316	3,651,489	3,775,865
Equity Attributable to Shareholders of the Parent	2,007,842	4,053,705	4,595,715	5,486,065	6,427,452
Capital Stock	600,000	700,000	700,000	700,000	700,000
Capital Surplus	240,000	1,804,928	1,804,928	1,804,931	1,810,341
Retained Earnings					
Before Distribution	1,173,079	1,558,571	2,098,930	2,997,501	3,930,045
After Distribution	1,083,079	1,383,571	1,748,930	2,402,501	3,230,045
Other Equity Interest	(5,237)	(9,794)	(8,143)	(16,367)	(12,934)
Non-controlling Interests	-	-	-	22,362	58,280
Total Equity					
Before Distribution	2,007,842	4,053,705	4,595,715	5,508,427	6,485,732
After Distribution	1,917,842	3,878,705	4,245,715	4,913,427	5,785,732

Note: Distribution of 2022 cash dividends has yet to be reported in 2023 shareholder meeting.

## Unconsolidated Balance Sheet

Unit: NT\$ thousands

Item	Year	2018	2019	2020	2021	2022 (Note)
Current Assets		1,601,205	1,854,618	2,724,032	2,854,366	3,351,297
Investment accounted for using equity method		10,200	62,539	54,156	281,810	456,699
Property, Plant and Equipment		2,057,132	3,023,144	3,085,192	4,905,796	4,643,032
Intangible Assets		2,306	4,536	6,296	11,550	21,549
Other Assets		522,370	268,442	413,571	135,602	408,511
Total Assets		4,193,213	5,213,279	6,283,247	8,189,124	8,881,088
Current Liabilities						
Before Distribution		1,645,260	1,103,208	1,590,698	2,534,217	2,105,910
After Distribution		1,735,260	1,278,208	1,940,698	3,129,217	2,805,910
Noncurrent Liabilities		540,111	56,366	96,834	168,842	347,726
Total Liabilities						
Before Distribution		2,185,371	1,159,574	1,687,532	2,703,059	2,453,636
After Distribution		2,275,371	1,334,574	2,037,532	3,298,059	3,153,636
Equity Attributable to Shareholders of the Parent		2,007,842	4,053,705	4,053,705	5,486,065	6,427,452
Capital Stock		600,000	700,000	700,000	700,000	700,000
Capital Surplus		240,000	1,804,928	1,804,928	1,804,931	1,810,341
Retained Earnings						
Before Distribution		1,173,079	1,558,571	2,098,930	2,997,501	3,930,045
After Distribution		1,083,079	1,383,571	1,748,930	2,402,501	3,230,045
Other Equity Interest		(5,237)	(9,794)	(8,143)	(16,367)	(12,934)
Total Equity						
Before Distribution		2,007,842	4,053,705	4,595,715	5,486,065	6,427,452
After Distribution		1,917,842	3,878,705	4,245,715	4,891,065	5,727,452

Note: Distribution of 2022 cash dividends has yet to be reported in 2023 shareholder meeting.

## 6.1.2 Condensed Statement of Comprehensive Income from 2018 to 2022 (Audited)

### Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	2018	2019	2020	2021	2022
Net Revenue	3,132,671	3,355,133	3,978,413	5,595,043	6,321,198
Gross Profit	1,605,355	1,493,030	1,973,888	2,964,305	3,315,442
Income from Operations	791,067	592,114	855,688	1,459,994	1,819,873
Non-operating Income and Expenses	(30,611)	(31,259)	(10,834)	(16,057)	(2,595)
Income before Income Tax	760,456	560,855	844,854	1,443,937	1,817,278
Net Income	541,156	475,492	715,359	1,248,436	1,545,341
Other Comprehensive Income for the Year, Net of Income Tax	(746)	(4,557)	1,651	(8,224)	2,673
Total Comprehensive Income for the Year	540,410	470,935	717,010	1,240,212	1,548,014
Net Income (Loss) Attributable to:					
Shareholders of the Parent	541,156	475,492	715,359	1,248,574	1,542,135
Noncontrolling Interests	-	-	-	(138)	3,206
Total Comprehensive Income (Loss) Attributable to:					
Shareholders of the Parent	540,410	470,935	717,010	1,240,350	1,545,568
Noncontrolling Interests	-	-	-	(138)	2,446
Basic/Diluted Earnings Per Share	9.02	7.62	10.22	17.84	22.03

### Unconsolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	2018	2019	2020	2021	2022
Net Revenue	3,198,837	3,096,188	3,836,666	5,162,463	5,603,362
Gross Profit	1,614,067	1,291,735	1,850,938	2,477,222	2,631,434
Income from Operations	775,910	566,316	807,120	1,392,539	1,648,377
Non-operating Income and Expenses	(22,055)	(19,001)	9,411	23,315	113,714
Income before Income Tax	753,855	547,315	816,531	1,415,854	1,762,091
Net Income	541,156	475,492	715,359	1,248,574	1,542,135
Other Comprehensive Income for the Year, Net of Income Tax	(746)	(4,557)	1,651	(8,224)	3,433
Total Comprehensive Income for the Year	540,410	470,935	717,010	1,240,350	1,545,568
Basic/Diluted Earnings Per Share	9.02	7.62	10.22	17.84	\$22.03

## 6.1.3 Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2018	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion
2019	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion
2020	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion
2021	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion
2022	Ernst & Young Taiwan	Wells Cheng, Eric Kuo	An Unmodified Opinion

#### 6.1.4 Audit Committee's Review Report

##### **Pegavision Corporation Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Ernst & Young Taiwan was retained to audit Pegavision's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Pegavision Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Pegavision Corporation

Chairman of the Audit Committee: Eric Yao

February 15, 2023

#### 6.1.5 Consolidated Financial Statements of 2022 and 2021

Please refer to Annex: Consolidated Financial Statements with Independent Auditors' Report as of December 31, 2022 and 2021 and for the Years Then Ended.

#### 6.1.6 Unconsolidated Financial Statements of 2022 and 2021

Please refer to Annex: Parent-Company-Only Financial Statements with Independent Auditors' Report as of December 31, 2022 and 2021 and for the Years Then Ended.

## 6.2 Financial Analysis

### 6.2.1 Financial Analysis from 2018 to 2022 (Consolidated)

		2018	2019	2020	2021	2022
Capital Structure Analysis	Debt Ratio (%)	51.59	23.65	28.37	35.69	32.17
	Long-term Fund to Property, Plant and Equipment (%)	121.47	136.02	152.05	117.72	141.34
Liquidity Analysis	Current Ratio (%)	94.84	167.20	168.37	117.42	162.64
	Quick Ratio (%)	45.35	118.97	142.54	94.13	136.20
	Times Interest Earned (Times)	77.64	30.04	364.53	466.64	97.06
Operating Performance Analysis	Accounts Receivable Turnover (Times)	20.34	15.05	9.60	9.30	9.21
	Average Collection Period	17.94	24.25	38.02	39.24	39.63
	Inventory Turnover (Times)	2.70	2.76	4.20	5.46	5.26
	Accounts Payable Turnover (Times)	14.44	17.22	15.92	15.15	15.13
	Average Days in Sales	135.18	132.24	86.90	66.84	69.39
	Property, Plant and Equipment Turnover (Times)	1.77	1.32	1.30	1.40	1.27
	Total Assets Turnover (Times)	0.89	0.71	0.68	0.75	0.70
Profitability Analysis	Return on Total Assets (%)	15.57	10.38	12.23	16.70	17.22
	Return on Stockholders' Equity (%)	31.14	15.69	16.54	24.71	25.77
	Pre-tax Income to Paid-in Capital (%)	126.74	80.12	120.69	206.28	259.61
	Profit Ratio (%)	17.27	14.17	17.98	22.31	24.45
	Earnings Per Share (NT\$)	9.02	7.62	10.22	17.84	22.03
Cash Flow	Cash Flow Ratio (%)	67.53	65.00	69.55	94.76	83.86
	Cash Flow Adequacy Ratio (%)	72.28	68.86	80.70	89.02	87.43
	Cash Flow Reinvestment Ratio (%)	27.96	11.46	14.75	26.94	14.01
Leverage	Operating Leverage	1.65	2.16	1.71	1.45	1.51
	Financial Leverage	1.01	1.03	1.00	1.00	1.01

Analysis of deviation of 2022 vs. 2021 over 20%:

1. Long-term fund to property, plant and equipment increased: Mainly due to the increase rate in net shareholders' equity and noncurrent liabilities is greater than the increase rate in property, plant and equipment in 2022.
2. Current ratio increased: Mainly due to the increase in current assets and the decrease in current liabilities in 2022.
3. Quick ratio increased: Mainly due the increase in current assets and prepaid expenses, and the decrease in inventory and current liabilities in 2022.
4. Times interest earned decreased: Mainly due to the increase in interest expense.
5. Pre-tax income to paid-in capital increased: Mainly due to the increase in income before income tax in 2022.
6. Earnings per share increased: Mainly due to the increase in net income in 2022.
7. Cash flow reinvestment ratio increased: Mainly due to the decrease in net cash provided by operating activities and current liabilities.

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

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

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

\* Glossary

1. Capital Structure Analysis

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

2. Liquidity Analysis

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

3. Operating Performance Analysis

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

4. Profitability Analysis

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

5. Cash Flow

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

6. Leverage

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



## 6.2.2 Financial Analysis from 2018 to 2022 (Unconsolidated)

		2018	2019	2020	2021	2022
Capital Structure Analysis	Debt Ratio (%)	52.12	22.24	26.86	33.01	27.63
	Long-term Fund to Property, Plant and Equipment (%)	123.86	135.95	152.10	115.27	145.92
Liquidity Analysis	Current Ratio (%)	97.32	168.11	171.25	112.63	159.14
	Quick Ratio (%)	53.65	120.82	150.25	94.38	137.07
	Times Interest Earned (Times)	76.98	29.34	352.35	457.58	107.98
Operating Performance Analysis	Accounts Receivable Turnover (Times)	10.77	7.24	6.11	6.08	6.39
	Average Collection Period	33.89	50.41	59.73	60.03	57.12
	Inventory Turnover (Times)	3.13	2.99	4.99	7.69	7.31
	Accounts Payable Turnover (Times)	14.98	16.69	16.01	15.50	15.25
	Average Days in Sales	116.61	122.07	73.14	47.46	49.93
	Property, Plant and Equipment Turnover (Times)	1.81	1.22	1.26	1.29	1.17
	Total Assets Turnover (Times)	0.90	0.66	0.67	0.71	0.66
Profitability Analysis	Return on Total Assets (%)	15.48	10.44	12.48	17.29	18.22
	Return on Stockholders' Equity (%)	31.14	15.69	16.54	24.77	25.89
	Pre-tax Income to Paid-in Capital (%)	125.64	78.19	116.65	202.26	251.73
	Profit Ratio (%)	16.92	15.36	18.65	24.19	27.52
	Earnings Per Share (NT\$)	9.02	7.62	10.22	17.84	22.03
Cash Flow	Cash Flow Ratio (%)	66.86	59.29	72.83	102.85	89.50
	Cash Flow Adequacy Ratio (%)	73.43	67.08	78.21	88.56	89.09
	Cash Flow Reinvestment Ratio (%)	27.69	9.47	14.24	26.56	12.77
Leverage	Operating Leverage	1.79	2.12	1.83	1.43	1.51
	Financial Leverage	1.01	1.04	1.00	1.00	1.01

Analysis of deviation of 2022 vs. 2021 over 20%:

1. Long-term fund to property, plant and equipment increased: Mainly due to the increase in net shareholders' equity and noncurrent liabilities, and the decrease in property, plant and equipment in 2022.
2. Current ratio increased: Mainly due to the increase in current assets and the decrease in current liabilities in 2022.
3. Quick ratio increased: Mainly due the increase in current assets and prepaid expenses, and the decrease in inventory and current liabilities in 2022.
4. Times interest earned decreased: Mainly due to the increase rate of interest expense is greater than the increase rate of income before income tax.
5. Pre-tax Income to Paid-in Capital increased: Mainly due to the increase in income before income tax in 2022.
6. Earnings per share increased: Mainly due to the increase in net income in 2022.
7. Cash flow reinvestment ratio increased: Mainly due to the decrease in net cash provided by operating activities and working capital.

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

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

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

\* Glossary

4. Capital Structure Analysis

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

5. Liquidity Analysis

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

6. Operating Performance Analysis

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

7. Profitability Analysis

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

8. Cash Flow

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

9. Leverage

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

## 6.2.3 Financial Status (Consolidated)

Unit: NT\$ thousands

Item	2022	2021	Difference	%
Current Assets	3,970,829	3,262,570	708,259	21.71
Property, Plant and Equipment	5,037,447	4,915,392	122,055	2.48
Right-of-use Assets	356,943	157,658	199,285	126.40
Intangible Assets	22,223	14,082	8,141	57.81
Other Assets	174,155	215,214	(41,059)	(19.08)
Total Assets	9,561,597	8,564,916	996,681	11.64
Current Liabilities	2,441,504	2,778,429	(336,925)	(12.13)
Noncurrent Liabilities	634,361	278,060	356,301	128.14
Total Liabilities	3,075,865	3,056,489	19,376	0.63
Capital Stock	700,000	700,000	-	-
Capital Surplus	1,810,341	1,804,931	5,410	0.30
Retained Earnings	3,930,045	2,997,501	932,544	31.11
Other Equity Interest	(12,934)	(16,367)	3,433	(20.98)
Non-controlling interests	58,280	22,362	35,918	160.62
Total Equity	6,485,732	5,508,427	977,305	17.74

### Analysis of Deviation over 20%

1. Current assets: Mainly due to increase in the financial assets at fair value through profit or loss in 2022.
2. Right of use assets: Mainly due to increase in lease contracts in 2022.
3. Non-current liabilities: Mainly due to increase in long-term loan and contractual liabilities in 2022.
4. Retained earnings: Mainly due to higher revenue and net income in 2022.
5. Non-controlling interests: Mainly due to the acquisition of new partially-owned subsidiaries in 2022.

### Major Impact on Financial Performance

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

## 6.2.4 Financial Performance (Consolidated)

Unit: NT\$ thousands

Item	2022	2021	Difference	%
Operating Revenue	6,321,198	5,595,043	726,155	12.98
Operating Costs	(3,005,756)	(2,630,738)	(375,018)	14.26
Gross Profit	3,315,442	2,964,305	351,137	11.85
Operating Expenses	(1,495,569)	(1,504,311)	8,742	(0.58)
Operating Income	1,819,873	1,459,994	359,879	24.65
Non-operating Income and Expenses	(2,595)	(16,057)	13,462	(83.84)
Income before Income Tax	1,817,278	1,443,937	373,341	25.86
Income Tax Expenses	(271,937)	(195,501)	(76,436)	39.10
Net Income	1,545,341	1,248,436	296,905	23.78
Other Comprehensive Income (Loss), Net of Income Tax	2,673	(8,224)	10,897	(132.50)
Total Comprehensive Income for the Year	1,548,014	1,240,212	307,802	24.82

### Analysis of Deviation over 20%

1. Operating income, income before income tax, and net income: Mainly attributed to higher revenue and the increase of operating income correspondingly with the increase in revenue in 2022 .
2. Income tax expenses: Mainly explained by higher taxable income in 2022.

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

### Sales Volume Forecast and Related Information

Please refer to "Letter to Shareholders".

### Major Impact on Financial Performance

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

### Future Plan on Financial Performance

Not applicable.

## 6.2.5 Cash Flow (Consolidated)

Unit: NT\$ thousands

Item	2022	2021	Difference	%
Net Cash Provided by Operating Activities	2,047,463	2,632,863	(585,400)	(22.23)
Net Cash Used in Investing Activities	(1,428,504)	1,848,633	420,129	(22.73)
Net Cash Used in Financing Activities	(623,260)	172,250	(451,010)	261.83

### Analysis of Cash Flow

1. Net cash provided by operating activities decreased by NT\$585.400 million: mainly due to (1)increase in account receivable, (2)increase in financial assets at fair value through profit or loss, and (3)the decrease in accounts receivable being less than the previous year.
2. Net cash used in investing activities increased by NT\$420.129 million: mainly attributed to lower amounts of property, plant and equipment and intangible assets acquired in 2022.
3. Net cash used in financing activities decreased by NT\$451.010 million: mainly due to (1)repay the short-term loan, (2)repay the capital of lease,and the increase of expenditure from cash dividend payment in 2022.

### Remedial Actions for Liquidity Shortfall

Not applicable.

## Cash Flow Projection for Next Year

Not applicable.

## 6.2.6 Recent Years Major Capital Expenditures and Impact on Financial and Business

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

## 6.2.7 Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2021 and as of the date of this Annual Report: None.

## 6.2.8 Investment Policy and Profit or Loss Incurred on Investments in 2021, and Investments Planned for 2022

### Investment Policies

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

### Profit or Loss Incurred on Investments in 2022

Unit: NT\$ thousands

Long term Investment	Profit or loss in	Main cause of profit (loss)	Improvement plans
Pegavision Contact Lenses (Shanghai) Corporation	(16,740)	Increased in marketing expenses	None
Gemvision Technology (Zhejiang) Limited	(2,928)	The sales were affected by the pandemic	Adjust marketing strategies according to market conditions
Pegavision Japan Inc.	35,608	Operating in good condition	None
Mayin Investment Co., Ltd.	102,903	Gain on investment of FacialBeau International Corporation and BeautyTech Platform Corporation accounted using the equity method	None
FacialBeau International Corporation	(1,915)	Not yet in formal operation	None
BeautyTech Platform Corporation	107,629	Focusing on marketing and business development	None
Aquamax Vision Corporation	(6,344)	Still in business development phase of the Company's proprietary brands	Adjust the current market size and change the business model to minimize the losses
Pegavision (Jiangsu) Limited	(2,618)	Not yet in formal operation	None
Beautytech Platform (Singapore) Pte. Ltd.	(46)	Not yet in formal operation	None
RODNA Co., Ltd.	(87)	Not yet in formal operation	None
BeautyTech Platform Corporation	12,331	Stable profit from marketing service	None

### Investments Planned for 2023

To plan and to establish the Company's subsidiary in Vietnam.

To continue to expand the distribution network in Asia.

## 6.3 Risk Management

### 6.3.1 Impact of Interest Rate, Exchange Rate, and Inflation on the Company's Earnings, and Response Measures

#### *Interest Rate Fluctuation*

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

The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and bank borrowings with fixed interest rates and variable interest rates. For items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates, if interest rate increases/decreases by 0.1%, the consolidated net income (loss) for the years ended December 31, 2022 and 2021 would increase/decrease by NT\$155 thousand and NT\$523 thousand, respectively.

- **Response measures**

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

#### *Foreign Exchange Volatility*

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

When NTD appreciates/depreciates against USD by 1%, the consolidated net income (loss) for the years ended 31 December 2022 and 2021 would decrease/increase by NT\$5,643 thousand and NT\$1,563 thousand, respectively; When NTD appreciates/depreciates against CNY by 1%, the consolidated net income (loss) for the years ended 31 December 2022 and 2021 would decrease/increase by NT\$511 thousand and NT\$769 thousand, respectively. Although exchange rate changes have yet to pose any significant impact on the Company, exchange rate uncertainties may still affect the Company's revenues and profits to some degree.

- **Response measures**

- A. All business units take exchange rate trends into consideration when submitting quotations to customers; quotations are adjusted dynamically to avoid significant impact on the Company's profits.
- B. Purchases and expenses are paid in the same currency as sales revenue. Outstanding positions of foreign currency-denominated asset and liability are adjusted as deemed necessary to minimize risk of exchange rate change.
- C. The finance department maintains close relationship with financial institutions and makes flexible adjustments to foreign currency positions by observing exchange rate changes and using exchange rate instruments.

#### *Inflation*

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

According to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, annual increase (decrease) of consumer price index as of January 2023 was reported at 3.04%. However, as of the publication date of annual report, the Company had not encountered any significant impact on earnings due to inflation.

- **Response measures**

- A. The Company pays close attention to changes in raw material prices and maintains good interaction with suppliers to reduce impact on earnings. The Company also monitors research reports and economic data published by professional research and investment institutions and makes appropriate policy adjustments accordingly to mitigate the effect of inflation on earnings.
- B. The Company is dedicated to reducing production cost through procedure advancements, and actively addresses inflation impact by developing high value-adding products of high gross profit margin. The Company adopts a dynamic pricing approach that adjusts selling prices as soon as the cost of raw material varies outside the tolerable range, which mitigates inflation impact by a significant degree.

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

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

### **6.3.3 Future R&D Plans and Corresponding Budget**

Please refer to “Future R&D Plans” on page 46 of this Annual Report.

### **6.3.4 Financial Impacts and Response Measures in the Event of Changes in Local and Foreign Regulations**

The Company complies with local and foreign regulations in all of its daily operations, pays constant attention to political and regulatory developments local and abroad, and gathers relevant information to support the management's decisions. Furthermore, the Company makes flexible changes to its operating strategy and is therefore able to prevent financial and business impact caused by changes in local and foreign regulations. The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in 2021 up until the publication date of this annual report.

### **6.3.5 Financial Impacts and Response Measures in the Event of Technological (including cyber security risks) or Industrial Changes**

The main product of the Company is contact lenses. There are two substitution risks against the existing products of the contact lens industry. The first risk relates to invasive surgeries (i.e. laser surgery and ICL); however, as laser surgeries are not recoverable and the ICL requires regular surgeries to change the implanted lenses, the level of acceptance by general visually impaired patients is low. The second risk relates to traditional glasses; however, there is no revolutionary breakthrough in terms of technologies, and traditional glasses only maintain a certain market share. Furthermore, laser surgeries or traditional glasses cannot replace cosmetic lenses, the mainstream contact lens products. In addition, there is no technology or product foreseeable at present or found in a short period of time that can replace contact lenses.

While continuing to improve the digitalization and automation of its operations, there is a pressing need for the Company's information safety protection. If our internal network system is invaded, our sensitive information may be stolen, production lines may suspend operations, and hackers may blackmail the Company. Therefore, the Company has established comprehensive network and computer-related information safety protection measures. For details of the corresponding measures adopted by the Company for cybersecurity risks, please refer to “Cyber Security Management” on pages 55 to 56 of the report.

According to the above technological (including cyber security risks) or industrial changes have no material effects on the Company's financial or business performance.

### **6.3.6 Crisis Management, Impacts, and Response Measures in the Event of a Change in Corporate Image**

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

### **6.3.7 Expected Benefits, Risks and Response Measures in Relation to Mergers and Acquisitions**

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

### **6.3.8 Expected Benefits, Risks and Response Measures Associated with Plant Expansions**

The contact lens market is still in its growth stage, and apart from product development and global market expansion, the Company acquired land and plant premise in Daxi, Taoyuan, in 2019 and later commenced construction of new plant in October 2019. We expect to increase our production capacity by 46 million lenses after the construction is completed in order to accommodate the increased demand for future market growth. Since the global contact lens market continues to grow, the potential risk is considered to be low.

### **6.3.9 Risks and Response Measures Associated with Concentrated Sales or Purchases**

#### **Purchases**

Chemical materials, packaging materials and Polypropylene represent the majority of raw materials purchased by the Company. None of the above raw materials was monopolized by any supplier; hence, there should be no difficulty in acquiring. In addition to maintaining strong business relationship with existing suppliers, the Company also actively searches for new reliable suppliers and maintains adequate level of key materials at all times in case of force majeure or unexpected occurrence. The largest supplier

accounted for only 14.08% and 17.26% of total purchase in 2022 and 2021, respectively. Raw material usage should change given the ongoing change in product portfolio, and main suppliers should account for a lower percentage as new suppliers are introduced. Overall, the Company does not expect any significant risk from concentrated or unstable supply.

### **Sales**

The Company devotes significant attention to the design integration, manufacturing and after-sale of its products. In addition to maintaining relationship with existing customers, the Company also commits effort into exploring new customers, technology/procedure improvements, market demands and product applications, and ventures into new products and markets as a means to reduce sales concentration risk. The largest buyer accounted for only 25.66% and 19.99% of total revenues in 2022 and 2021, respectively, which showed no significant sign of concentration.

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

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

#### **6.3.12 Litigation and Non-Contentious Cases**

None of the Company or its director, President, person-in-charge or subsidiary was involved in any ongoing significant litigations, non-contentious cases, or administrative litigations in 2022 up till the publication date of annual report, whether concluded or pending judgment, that may present significant impact to shareholders' interests or securities price. Shareholders with more than 10% ownership interest include subsidiaries of Pegatron Corporation (parent) and KINSUS Interconnect Technology Corp (parent). Please refer to annual reports of the respective companies for information on litigation and non-contentious cases.

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

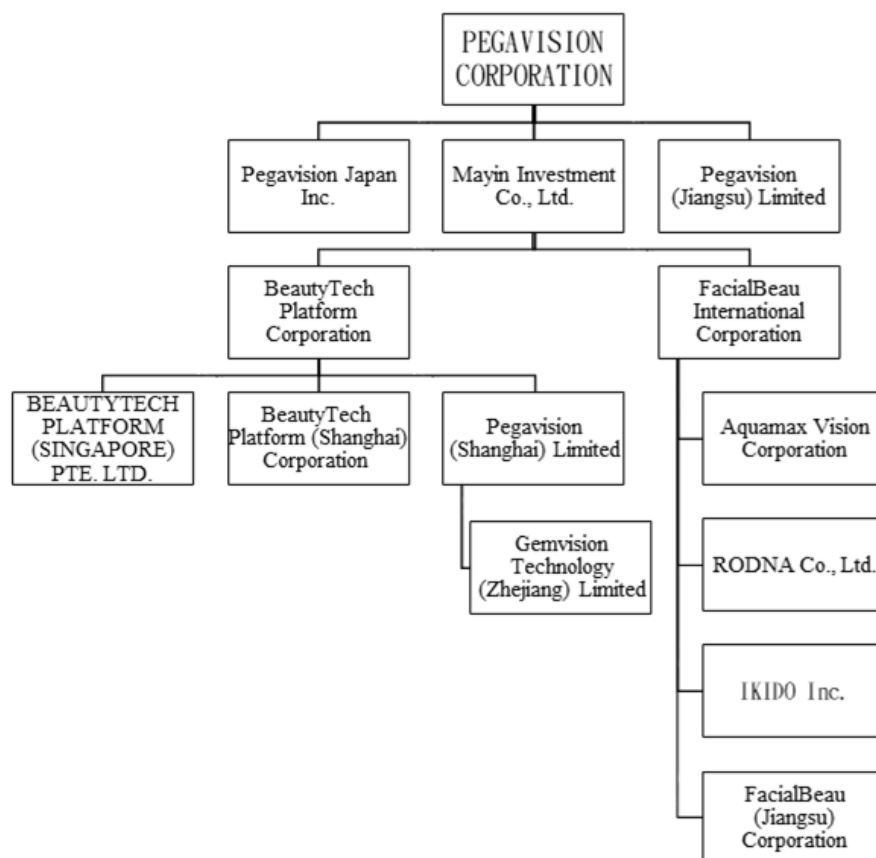
### **6.4 Other Material Issues**

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

## Subsidiary Information and Other Special Notes

### 7.1 Subsidiaries (As of December 31, 2022)

#### 7.1.1 Pegavision Subsidiaries Chart



#### 7.1.2 Business Scope of Pegavision and Its Subsidiaries

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

#### 7.1.3 Pegavision Subsidiaries

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



Company	Date of Incorporation	Place of Registration	Capital Stock (\$ thousands)		Business Activities
FacialBeau International Corporation	Oct. 22, 2021	Taiwan	NTD	50,000	Sales of medical materials and equipment, makeup and skincare products
BeautyTech Platform (Shanghai) Corporation	Jan. 24, 2022	Shanghai, China	USD	500	Sales of medical materials and equipment, makeup and skincare products
BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD.	Aug. 30, 2022	Singapore	USD	500	Sales of medical materials and equipment, makeup and skincare products
FacialBeau (Jiangsu) Corporation	Feb. 25, 2022	Jiangsu, China	-	-	Sales of medical materials and equipment, makeup and skincare products
IKIDO Inc.	Mar. 14, 2022	Japan	-	-	Sales of medical materials and equipment, makeup and skincare products
RODNA Co., Ltd.	June 23, 2022	Korea	KRW	100,000	Sales of medical materials and equipment, makeup and skincare products

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

#### 7.1.5 Directors, Supervisors, and Presidents of Pegavision's Subsidiaries

Company	Title	Name	Shareholding	
			Shares	%
Pegavision Contact Lenses (Shanghai) Corporation	Director	Pegavision Corporation (Rep.: Tony Wang)	-	100
	Supervisor	Pegavision Corporation (Rep.: Chi-Liang Chen)		
Pegavision Japan Inc,	Director	Pegavision Corporation (Rep.: Gwendolyn Kao)	198	100
Gemvision Technology (Zhejiang) Limited	Director	Pegavision Contact Lenses (Shanghai) Corporation (Rep.: Tony Wang)	-	100
	Supervisor	Pegavision Contact Lenses (Shanghai) Corporation (Rep.: Danny Lee)		
BeautyTech Platform Corporation	Chairman	T. H. Tung	100,000	1
	Vice Chairman	Peter Kuo	120,000	1.2
	Supervisor	Mayin Investment Co., Ltd. (Rep.: Peter Kuo)	8,500,000	85
Aquamax Vision Corporation	Director	FacialBeau International Corporation (Rep.: Michael Liu)	11,000,000	100
Pegavision (Jiangsu) Limited	Director	Pegavision Corporation (Rep.: Tony Wang)	-	100
	President	Pegavision Corporation (Rep.: Joshua Shi)		
	Supervisor	Mayin Investment Co., Ltd. (Rep.: Danny Lee)		
Mayin Investment Co., Ltd.	Chairman	Pegavision Corporation (Rep.: Peter Kuo)	21,000,000	100
FacialBeau International Corporation	Chairman	T. H. Tung	100,000	2
	Vice Chairman	Peter Kuo	150,000	3
	Supervisor	Mayin Investment Co., Ltd. (Rep.: Danny Lee)	2,750,000	55
BeautyTech Platform (Shanghai) Corporation	Chairman	BeautyTech Platform Corporation (Rep.: Tony Wang)	-	100
	Vice Chairman	BeautyTech Platform Corporation (Rep.: Michael Liu)		
	Supervisor	BeautyTech Platform Corporation (Rep.: Danny Lee)		
BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD.	Director	BeautyTech Platform Corporation (Rep.: Michael Liu)	200,000	100
	Director	BeautyTech Platform Corporation (Rep.: Mark Chen)		
	Director	LEE KA LEE MICHELLE	-	-
FacialBeau (Jiangsu) Corporation	Director	FacialBeau International Corporation (Rep.: Michael Liu)	-	100
	President	FacialBeau International Corporation (Rep.: Michael Liu)		
	Supervisor	FacialBeau International Corporation (Rep.: Danny Lee)		

Company	Title	Name	Shareholding	
			Shares	%
IKIDO Inc.	Director	FacialBeau International Corporation (Rep.: Michael Liu)	198	100
RODNA Co., Ltd.	Director	FacialBeau International Corporation (Rep.: Michael Liu)	-	100

### 7.1.6 Operational Highlights of Pegavision Subsidiaries

Unit: NT\$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Pegavision Contact Lenses (Shanghai) Corporation	112,559	93,122	22	93,100	13,748	(16,021)	(16,831)	NA
Pegavision Japan Inc.	2,554	513,854	419,698	94,156	2,648,630	53,869	35,608	NA
Gemvision Technology (Zhejiang) Limited	95,523	223,465	141,745	81,720	539,080	(10,658)	(2,403)	NA
BeautyTech Platform Corporation	40,000	586,582	326,172	260,410	747,828	135,828	114,108	4.69
Aquamax Vision Corporation	31,174	7,424	529	6,895	1,475	(3,506)	(6,344)	NA
Pegavision (Jiangsu) Limited	85,620	97,525	18,480	79,045	19,453	(3,892)	(2,618)	NA
Mayin Investment Co., Ltd.	120,000	605,440	221,850	383,590	6,000	1,482	102,903	3.71
FacialBeau International Corporation	50,000	70,328	23,827	46,501	59,900	(4,264)	(3,481)	(0.06)
BeautyTech Platform (Shanghai) Corporation	14,885	44,629	15,374	29,255	35,810	19,248	14,507	NA
BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD.	0	0	0	0	0	0	0	NA
FacialBeau (Jiangsu) Corporation	0	0	0	0	0	0	0	NA
IKIDO Inc.	2,366	2,561	216	2,345	0	(88)	(87)	NA
RODNA Co., Ltd.	6,186	6,272	51	6,221	0	(49)	(46)	NA

**7.1.7 Consolidated Financial Statements:** Please refer to Annex: Consolidated Financial Statements with Independent Auditors' Report as of December 31, 2022 and 2021 and for the Years Then Ended.

**7.1.8 Reports on Affiliations:** Not applicable.

## 7.2 Special Notes

**7.2.1 Private Placement Securities in 2022 and as of the Date of this Annual Report:** None.

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

**7.2.3 Any Events in 2022 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan:** None.

**7.2.4 Other Necessary Supplement:** None.

**Ticker: 6491**

**PEGAVISION CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AS OF DECEMBER 31, 2022 AND 2021  
AND FOR THE YEARS THEN ENDED**

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

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

## **MANAGEMENT REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Pegavision Corporation as of December 31, 2022 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegavision Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Pegavision Corporation

By

Guo, Ming-Dong

Chairman

February 13<sup>th</sup>, 2023

## **INDEPENDENT AUDITORS' REPORT**

To : the Board of Directors and Shareholders of  
Pegavision Corporation

### **Opinion**

We have audited the accompanying consolidated balance sheets of Pegavision Corporation (the “Company”) and its subsidiaries as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together referred as “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Group's revenue amounting to NT\$6,321,198 thousand for the year ended December 31, 2022 is a significant account to the Group's consolidated financial statements. The Group has conducted these sale activities in multi-marketplace, including Taiwan, China, Japan, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

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

### Market valuation on Inventory

We determined the market valuation on inventory is also one of key audit matters. The Group's net inventory amounted to NT\$568,628 thousand, representing 6% of total assets, as of December 31, 2022, which is significant to the Group's consolidated financial statements. The market of the Group's main products, is characterized by fierce competition and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value.

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Other**

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2022 and 2021.

/s/Cheng, Ching-Piao

/s/Kuo, Shao-Pin

Ernst & Young  
Taiwan, R.O.C.  
February 13<sup>th</sup>, 2023

Notice to Readers

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

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

Pegavision Corporation and Subsidiaries  
Consolidated Balance Sheets  
As of December 31, 2022 and 2021  
(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$1,846,120	19	\$1,848,965	21
1110	Financial assets at fair value through profit or loss	4, 6(2)	666,488	7	67,028	1
1170	Accounts receivable, net	4, 6(3), 6(15)	745,195	8	627,333	7
1200	Other receivables		5,523	-	6,708	-
1220	Current tax assets	4, 6(20)	2,929	-	1,558	-
1310	Inventories, net	4, 6(4)	568,628	6	573,774	7
1410	Prepayments		76,884	1	73,409	1
1470	Other current assets		59,062	1	63,795	1
	Total current assets		3,970,829	42	3,262,570	38
15xx	Non-current assets					
1600	Property, plant and equipment, net	4, 6(5), 8, 9	5,037,447	52	4,915,392	57
1755	Right-of-use assets, net	4, 6(16), 7	356,943	4	157,658	2
1780	Intangible assets, net	4, 6(6)	22,223	-	14,082	-
1840	Deferred tax assets	4, 6(20)	17,793	-	13,305	-
1900	Other non-current assets	6(5), 6(7), 7, 8	156,362	2	201,909	3
	Total non-current assets		5,590,768	58	5,302,346	62
1xxx	Total Assets		\$9,561,597	100	\$8,564,916	100

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

Pegavision Corporation and Subsidiaries  
Consolidated Balance Sheets (Continued)  
As of December 31, 2022 and 2021  
(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term borrowings	6(8)	\$284,467	3	\$444,866	5
2130	Contract liabilities	6(14),7	77,703	1	64,227	1
2150	Notes payable		3,910	-	2,316	-
2170	Accounts payable		190,643	2	200,420	2
2200	Other payables	6(9), 7	1,397,777	15	1,736,420	20
2230	Current tax liabilities	4, 6(20)	105,500	1	122,480	2
2280	Lease liabilities	4, 6(16),7	132,253	1	52,396	1
2300	Other current liabilities	6(10), 6(11),8	249,251	3	155,304	2
	Total current liabilities		2,441,504	26	2,778,429	33
25xx	Non-current liabilities					
2540	Non-current portion of long-term borrowings	6(11), 8	364,879	4	141,993	2
2570	Deferred tax liabilities	4, 6(20)	37,185	-	25,661	-
2580	Lease liabilities	4, 6(16),7	231,107	2	109,107	1
2645	Guarantee deposits received		974	-	515	-
2670	Other non-current liabilities	4, 6(10)	216	-	784	-
	Total non-current liabilities		634,361	6	278,060	3
	Total liabilities		3,075,865	32	3,056,489	36
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(13)				
3110	Common stock		700,000	7	700,000	8
3200	Capital surplus	6(13)	1,810,341	19	1,804,931	21
3300	Retained earnings	6(13)				
3310	Legal reserve		367,572	4	242,715	3
3320	Special reserve		16,367	-	8,143	-
3350	Unappropriated retained earnings		3,546,106	37	2,746,643	32
3400	Other equity interest		(12,934)	-	(16,367)	-
36xx	Non-controlling interests	6(13)	58,280	1	22,362	-
	Total equity		6,485,732	68	5,508,427	64
	Total liabilities and equity		\$9,561,597	100	\$8,564,916	100

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

Pegavision Corporation and Subsidiaries  
Consolidated Statements Of Comprehensive Incomes  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	4, 6(14)	\$6,321,198	100	\$5,595,043	100
5000	Operating costs	6(4), 7	(3,005,756)	(48)	(2,630,738)	(47)
5900	Gross profit		3,315,442	52	2,964,305	53
6000	Operating expenses	7				
6100	Selling expenses		(555,426)	(9)	(627,067)	(11)
6200	Administrative expenses		(371,077)	(6)	(321,543)	(6)
6300	Research and development expenses		(575,925)	(9)	(546,642)	(10)
6450	Expected credit gains (losses)	6(15)	6,859	-	(9,059)	-
	Operating expenses total		(1,495,569)	(24)	(1,504,311)	(27)
6900	Operating income		1,819,873	28	1,459,994	26
7000	Non-operating income and expenses	6(18)				
7100	Interest income		8,628	-	4,470	-
7010	Other income		19,478	-	14,474	-
7020	Other gains or losses		(8,175)	-	(30,542)	-
7050	Finance costs		(22,526)	-	(4,459)	-
	Total non-operating incomes and expenses		(2,595)	-	(16,057)	-
7900	Income from continuing operations before income tax		1,817,278	28	1,443,937	26
7950	Income tax	4, 6(20)	(271,937)	(4)	(195,501)	(4)
8200	Net income		1,545,341	24	1,248,436	22
8300	Other comprehensive income (loss)	6(19)				
8360	Items that may be reclassified subsequently to profit or loss					
8380	Exchange differences resulting from translating the financial statements of a foreign operation		2,673	-	(8,224)	-
	Total other comprehensive income, net of tax		2,673	-	(8,224)	-
8500	Total comprehensive income		\$1,548,014	24	\$1,240,212	22
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		\$1,542,135	24	\$1,248,574	22
8620	Non-controlling interests		3,206	-	(138)	-
			\$1,545,341	24	\$1,248,436	22
8700	Comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		\$1,545,568	24	\$1,240,350	22
8720	Non-controlling interests		2,446	-	(138)	-
			\$1,548,014	24	\$1,240,212	22
9750	Earnings per share-basic (in NTD)	4, 6(21)	\$22.03		\$17.84	
9850	Earnings per share-diluted (in NTD)	4, 6(21)	\$21.84		\$17.72	

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

Pegavision Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent							Non-controlling interests	Total Equity
		Capital	Capital Surplus	Retained Earnings				Total		
				Legal Reserve	Special reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations			
		3100	3200	3310	3320	3350	3410	31XX	36XX	3XXX
A1	Balance as of January 1, 2021	\$700,000	\$1,804,928	\$171,179	\$9,795	\$1,917,956	(8,143)	\$4,595,715	\$-	\$4,595,715
	Appropriation and distribution of 2020 earnings									
B1	Legal reserve appropriated			71,536		(71,536)		-		-
B3	Special reserve appropriated				(1,652)	1,652		-		-
B5	Cash dividends-common shares					(350,000)		(350,000)		(350,000)
D1	Net income for 2021					1,248,574		1,248,574	(138)	1,248,436
D3	Other comprehensive income (loss) for 2021						(8,224)	(8,224)		(8,224)
D5	Total comprehensive income	-	-	-	-	1,248,574	(8,224)	1,240,350	(138)	1,240,212
H3	Reorganization		3			(3)		-		-
O1	Non-controlling interests								22,500	22,500
Z1	Balance as of December 31, 2021	\$700,000	\$1,804,931	\$242,715	\$8,143	\$2,746,643	\$(16,367)	\$5,486,065	\$22,362	\$5,508,427
A1	Balance as of January 1, 2022	\$700,000	\$1,804,931	\$242,715	\$8,143	\$2,746,643	\$(16,367)	\$5,486,065	\$22,362	\$5,508,427
	Appropriation and distribution of 2021 earnings									
B1	Legal reserve appropriated			124,857		(124,857)		-		-
B3	Special reserve appropriated				8,224	(8,224)		-		-
B5	Cash dividends-common shares					(595,000)		(595,000)		(595,000)
D1	Net income for 2022					1,542,135		1,542,135	3,206	1,545,341
D3	Other comprehensive income (loss) for 2022						3,433	3,433	(760)	2,673
D5	Total comprehensive income	-	-	-	-	1,542,135	3,433	1,545,568	2,446	1,548,014
H3	Reorganization		4,729			(5,423)		(694)	694	-
M5	Difference between consideration given / received and carrying amount of interests in subsidiaries acquired / disposed of		(962)			(9,168)		(10,130)	10,130	-
N1	Share-based payment transaction		1,643					1,643	148	1,791
O1	Non-controlling interests								22,500	22,500
Z1	Balance as of December 31, 2022	\$700,000	\$1,810,341	\$367,572	\$16,367	\$3,546,106	\$(12,934)	\$6,427,452	\$58,280	\$6,485,732

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

Pegavision Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income before income tax	\$1,817,278	\$1,443,937	B02700	Acquisition of property, plant and equipment	(1,410,912)	(1,840,501)
A20000	Adjustments:			B02800	Proceeds from disposal of property, plant and equipment	180	447
A20010	Profit or loss not effecting cash flows:			B03800	Decrease (increase) in refundable deposits	755	3,510
A20100	Depreciation (including right-of-use assets)	923,876	652,256	B04500	Acquisition of intangible assets	(18,527)	(12,089)
A20200	Amortization	8,837	4,306	BBBB	Net cash provided by (used in) investing activities	(1,428,504)	(1,848,633)
A20300	Expected credit losses (gain)	(6,859)	9,059				
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(761)	(360)	CCCC	Cash flows from financing activities:		
A20900	Interest expense	22,526	4,459	C00100	Increase in (repayment of) short-term borrowings	(160,399)	76,976
A21200	Interest income	(8,628)	(4,470)	C01600	Increase in long-term borrowings	228,104	128,580
A21900	Share-based payments awards	1,791		C01700	Repayment of long-term borrowings	(1,042)	-
A22500	Loss (gain) on disposal of property, plant and equipment	(180)	(381)	C03000	Increase (decrease) in guarantee deposits received	459	(130)
A23700	Impairment loss on non-financial assets	40,759	24,015	C04020	Payments of lease liabilities	(117,882)	(50,176)
A29900	Loss (gain) on lease modification	(90)	(710)	C04500	Cash dividends paid	(595,000)	(350,000)
A29900	Loss (gain) on government grants	(402)	(218)	C05800	Non-controlling interests changed	22,500	22,500
A30000	Changes in operating assets and liabilities:			CCCC	Net cash provided by (used in) financing activities	(623,260)	(172,250)
A31115	Financial assets at fair value through profit or loss	(598,699)	500,101				
A31150	Accounts receivable	(111,031)	(61,672)				
A31180	Other receivables	1,381	(3,093)	DDDD	Effect of exchange rate changes	1,456	(9,016)
A31200	Inventories	5,146	(184,369)				
A31230	Prepayments	(3,475)	(19,339)	EEEE	Increase (decrease) in cash and cash equivalents	(2,845)	602,964
A31240	Other current assets	4,733	(7,657)	E00100	Cash and cash equivalents at beginning of period	1,848,965	1,246,001
A32125	Contract liabilities	13,476	(16,035)	E00200	Cash and cash equivalents at end of period	\$1,846,120	\$1,848,965
A32130	Notes payable	1,594	1,762				
A32150	Accounts payable	(9,777)	56,330				
A32180	Other payables	149,523	389,809				
A32230	Other current liabilities	89,324	(3,748)				
A32000	Cash generated from operations	2,340,342	2,783,982				
A33100	Interest received	8,432	4,535				
A3~300	Interest paid	(18,102)	(3,381)				
A33500	Income tax paid	(283,209)	(152,273)				
AAAA	Net cash provided by (used in) operating activities	2,047,463	2,632,863				

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

## 1. HISTORY AND ORGANIZATION

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

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

## 2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 13th, 2023.

## 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, 2022. 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	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(a) 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.

(b) 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.

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

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The Group assesses all standards and interpretations 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, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities of contract – Amendments to IAS 1	January 1, 2024

(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 2020 and 2021. 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)Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e)Non-current Liabilities with covenant – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve month after the reporting period do not affect the classification of debts as current or non-current at the end of the reporting period.

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

#### 4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

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

(3)Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%) , As of December 31,		
			2022	2021	Note
The Company	Pegavision Japan Inc.	Selling medical equipment	100.00%	100.00%	None
The Company	Pegavision (Jiangsu) Limited	Producing and selling medical equipment	100.00%	100.00%	None
The Company	Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	-%	100.00%	Note 1
The Company	Mayin Investment Co., Ltd.	Investing activities	100.00%	100.00%	None
Mayin Investment Co., Ltd.	BeautyTech Platform Corporation	Selling medical equipment and cosmetic products	85.00%	100.00%	Note 2
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling medical equipment and cosmetic products	55.00%	55.00%	None

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

BeautyTech Platform Corporation	Aquamax Vision Corporation	Selling medical equipment and cosmetic products	-%	100.00%	Note 1
BeautyTech Platform Corporation	Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	100.00%	Not applicable	Note 1
BeautyTech Platform Corporation	BeautyTech Platform (Shanghai) Corporation	Selling medical equipment and cosmetic products	100.00%	Not applicable	Note 1
BeautyTech Platform Corporation	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD.	Selling medical equipment and cosmetic products	100.00%	Not applicable	Note 1
Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	Selling medical equipment	100.00%	100.00%	None
FacialBeau International Corporation	FacialBeau (Jiangsu) Corporation	Selling medical equipment and cosmetic products	100.00%	Not applicable	Note 1
FacialBeau International Corporation	IKIDO Inc.	Selling medical equipment and cosmetic products	100.00%	Not applicable	Note 1
FacialBeau International Corporation	RODNA Co., Ltd.	Selling medical equipment and cosmetic products	100.00%	Not applicable	Note 1
FacialBeau International Corporation	Aquamax Vision Corporation	Selling medical equipment and cosmetic products	100.00%	Not applicable	Note 1

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

- (a) BeautyTech Platform (Shanghai) Corporation which is 100% held by BeautyTech Platform Corporation was registered at January 24, 2022.
- (b) BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD. which is 100% held by BeautyTech Platform Corporation was registered at August 30, 2022.
- (c) FacialBeau (Jiangsu) Corporation which is 100% held by FacialBeau International Corporation was registered at February 25, 2022. The investment amount has not been remitted as at December 31, 2022.
- (d) The equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to BeautyTech Platform Corporation from the company.
- (e) IKIDO Inc. which is 100% held by FacialBeau International Corporation was registered at March 14, 2022. The investment amount has not been remitted as at December 31, 2022.
- (f) RODNA Co., Ltd. which is 100% held by FacialBeau International Corporation was registered at June 23, 2022.
- (g) The equity of Aquamax Vision Corporation was transferred to FacialBeau International Corporation from BeautyTech Platform Corporation.

Note 2: To improve the synergy of the Group, the board of directors of BeautyTech Platform Corporation decided to reorganize and issue new shares at August 26, 2022. BeautyTech Platform Corporation issued new shares on September 26, 2022 and retained 15% of the new shares for employee. The ownership interest in BeautyTech Platform Corporation of Mayin Investment Co., Ltd. was reduced to 85%.

#### (4) Foreign currency transactions

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



Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

- (A) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (B) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (C) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

(6)Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7)Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8)Financial instruments

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

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

(A)Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (I) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (II) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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



Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

#### Derecognition of financial liabilities

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

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

#### (E) Offsetting of financial instruments

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

#### (9) Fair value measurement

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

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

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

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

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

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

#### (10) Inventories

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

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

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads excluding borrowing costs.

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

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

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16

“Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

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

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The asset’s residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### (12)Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

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

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

#### Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

#### Group as a lessor

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

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

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

#### (13)Intangible assets

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

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

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

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

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

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

A summary of the policies applied to the Group's intangible assets is as follows:

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

#### (14) Impairment of non-financial assets

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



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

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

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

#### (15)Revenue recognition

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

##### Sale of goods

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

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

(16)Borrowing costs

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

(17)Government grants

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

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

(18)Post-employment benefits

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

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

(19)Income tax

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

Current income tax

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

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

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

- (A) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (B) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- (A) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (B) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions:

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

### (1) Accounts receivables - estimation of impairment loss

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

### (2) Inventory

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

(3)Revenue recognition - sale returns and allowances

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

(4)Income tax

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

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

## 6. CONTENTS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash and petty cash	\$4,358	\$4,149
Checkings and savings	447,024	380,408
Time deposit	1,394,738	1,464,408
Total	<u>\$1,846,120</u>	<u>\$1,848,965</u>

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

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Money market fund	\$666,000	\$67,012
Valuation adjustment	488	16
Total	<u>\$666,488</u>	<u>\$67,028</u>
Current	\$666,488	\$67,028
Non-current	-	-
Total	<u>\$666,488</u>	<u>\$67,028</u>

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

### (3) Accounts receivable, net

#### A. Accounts receivable, net

	As of December 31,	
	2022	2021
Accounts receivable, gross	\$753,335	\$642,304
Less: loss allowance	(8,140)	(14,971)
Total accounts receivable, net	<u>\$745,195</u>	<u>\$627,333</u>

B.Accounts receivable were not pledged.

C.Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is \$753,335 thousand and NT\$642,304 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6 (15) for more details on loss allowance of accounts receivable for the periods ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

#### (4)Inventory

A.Details of inventory:

	As of December 31,	
	2022	2021
Merchandises	\$6,197	\$2,371
Raw materials	92,656	97,121
Supplies	7,947	4,875
Work in process	146,162	204,760
Finished goods	315,666	264,647
Total	<u>\$568,628</u>	<u>\$573,774</u>

B.For the years ended December 31, 2022 and 2021, the Group recognized NT\$3,005,756 thousand and NT\$2,630,738 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the year ended December 31,	
	2022	2021
Loss (Gain) from inventory market decline	\$34,531	\$(28,740)
Loss from inventory write-off obsolescence	27,428	23,484
Total	<u>\$61,959</u>	<u>\$(5,256)</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.



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(5)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Other equipment	Construction in progress and equipment awaiting inspection (including prepayment for equipment)	Total
<u>Cost:</u>								
As of 1/1/2022	\$1,317,564	\$69,345	\$4,755,399	\$1,505	\$78,435	\$875,893	\$823,483	\$7,921,624
Addition	-	-	-	-	946	-	939,792	940,738
Disposals	-	-	(44,297)	-	(2,406)	(31,226)	-	(77,929)
Transfer	196,960	96,275	165,168	468	7,281	146,303	(630,982)	(18,527)
Effect of EX rate	-	-	-	-	79	242	884	1,205
As of 12/31/2022	<u>\$1,514,524</u>	<u>\$165,620</u>	<u>\$4,876,270</u>	<u>\$1,973</u>	<u>\$84,335</u>	<u>\$991,212</u>	<u>\$1,133,177</u>	<u>\$8,767,111</u>
As of 1/1/2021	\$1,317,564	\$69,345	\$2,946,116	\$980	\$72,891	\$738,634	\$517,323	\$5,662,853
Addition	-	-	-	-	963	-	2,356,900	2,357,863
Disposals	-	-	(67,751)	-	(593)	(18,497)	-	(86,841)
Transfer	-	-	1,877,034	525	5,213	155,853	(2,050,714)	(12,089)
Effect of EX rate	-	-	-	-	(39)	(97)	(26)	(162)
As of 12/31/2021	<u>\$1,317,564</u>	<u>\$69,345</u>	<u>\$4,755,399</u>	<u>\$1,505</u>	<u>\$78,435</u>	<u>\$875,893</u>	<u>\$823,483</u>	<u>\$7,921,624</u>
<u>Depreciation and impairment:</u>								
As of 1/1/2022	\$-	\$27,309	\$2,227,640	\$876	\$68,438	\$548,624	\$-	\$2,872,887
Depreciation	-	3,968	682,535	238	8,625	111,626	-	806,992
Impairment loss	-	9,798	-	-	998	28,274	-	39,070
Disposal	-	-	(44,297)	-	(2,406)	(31,226)	-	(77,929)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	(4)	95	-	91
As of 12/31/2022	<u>\$-</u>	<u>\$41,075</u>	<u>\$2,865,878</u>	<u>\$1,114</u>	<u>\$75,651</u>	<u>\$657,393</u>	<u>\$-</u>	<u>\$3,641,111</u>

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As of 1/1/2021	\$-	\$8,096	\$1,786,630	\$698	\$60,076	\$481,842	\$-	\$2,337,342
Depreciation	-	4,013	500,814	178	8,995	84,405	-	598,405
Impairment loss	-	15,200	7,947	-	-	868	-	24,015
Disposal	-	-	(67,751)	-	(593)	(18,431)	-	(86,775)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	(40)	(60)	-	(100)
As of 12/31/2021	\$-	\$27,309	\$2,227,640	\$876	\$68,438	\$548,624	\$-	\$2,872,887

Net carrying amount:

As of 12/31/2022	\$1,514,524	\$124,545	\$2,010,392	\$859	\$8,684	\$333,819	\$1,133,177	\$5,126,000
As of 12/31/2021	\$1,317,564	\$42,036	\$2,527,759	\$629	\$9,997	\$327,269	\$823,483	\$5,048,737

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

	As of December 31,	
	2022	2021
Property, plant and equipment	\$5,037,447	\$4,915,392
Prepayment for equipment	88,553	133,345
Total	\$5,126,000	\$5,048,737

B.For the years ended December 31, 2022 and 2021, NT\$39,070 thousand and NT\$24,015 thousand impairment loss represented the write down of certain property, plant and equipment to the recoverable amount. This has been recognized in the statement of comprehensive income. The recoverable value is measured at usage values by the individual units.

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

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(6)Intangible assets

	<u>Computer software</u>
<u>Cost:</u>	
As of January 1, 2022	\$34,865
Additions – acquired separately	-
Transfer	18,527
Derecognized upon retirement	(5,166)
Effect of EX rate	159
As of December 31, 2022	<u>\$48,385</u>
As of January 1, 2021	\$22,776
Additions – acquired separately	-
Transfer	12,089
Derecognized upon retirement	-
As of December 31, 2021	<u>\$34,865</u>
<u>Amortization and Impairment:</u>	
As of January 1, 2022	\$20,783
Amortization	8,837
Impairment loss	1,689
Derecognized upon retirement	(5,166)
Effect of EX rate	19
As of December 31, 2022	<u>\$26,162</u>
As of January 1, 2021	\$16,480
Amortization	4,306
Derecognized upon retirement	-
Effect of EX rate	(3)
As of December 31, 2021	<u>\$20,783</u>
<u>Carrying amount, net:</u>	
As of December 31, 2022	<u>\$22,223</u>
As of December 31, 2021	<u>\$14,082</u>

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A. Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2022	2021
Manufacturing expense	\$350	\$245
Selling expense	574	771
Administrative expense	6,722	2,416
Research and development expense	1,191	874
Total	<u>\$8,837</u>	<u>\$4,306</u>

B. For the years ended December 31, 2022, NT\$ 1,689 thousand impairment loss represented the write down of certain computer software to the recoverable amount. This has been recognized in the statement of comprehensive income. The recoverable value is measured at usage values by the individual units.

(7) Other non-current assets

	As of December 31,	
	2022	2021
Refundable deposits	\$67,809	\$68,564
Prepayment for equipment	88,553	133,345
Total	<u>\$156,362</u>	<u>\$201,909</u>

(8) Short-term borrowings

	As of December 31,	
	2022	2021
Unsecured bank loans	<u>\$284,467</u>	<u>\$444,866</u>
Interest Rate (%)	<u>3.04%~5.63%</u>	<u>0.58%~0.80%</u>

The Group's unused short-term lines of credits amounts to NT\$1,018,762 thousand and NT\$731,964 thousand, as of December 31, 2022 and 2021, respectively.

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(9)Other payable

	As of December 31,	
	2022	2021
Accrued expenses	\$1,269,451	\$1,119,929
Accrued interest payable	813	278
Payable to equipment suppliers	127,513	616,213
Total	<u>\$1,397,777</u>	<u>\$1,736,420</u>

(10)Other current liabilities

A.Details of other current liabilities

	As of December 31,	
	2022	2021
Other current liabilities	\$65,703	\$42,044
Refund liability	178,644	112,979
Deferred government grants income	447	281
Long-Term Borrowings-Current Portion	4,457	-
Total	<u>\$249,251</u>	<u>\$155,304</u>

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

	For the year ended December 31,	
	2022	2021
Beginning balance	\$1,065	\$299
Received during the period	-	984
Released to the statement of comprehensive income	(402)	(218)
Ending Balance	<u>\$663</u>	<u>\$1,065</u>
Current	<u>\$447</u>	<u>\$281</u>
Non-current	<u>\$216</u>	<u>\$784</u>

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

(11) Long-term borrowings

A. Details of long-term borrowings

Debtor	Type of Loan	Maturity	As of December 31,		Repayment
			2022	2021	
Chang Hwa Commercial Bank - Beitou Branch	Credit loan	2020.03.25- 2025.03.15	\$4,968	\$4,943	Note 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2020.11.10- 2030.10.15	9,654	9,839	Note 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2021.04.08- 2030.10.15	38,616	39,240	Note 2
Mega International Commercial Bank – Lan-Ya Branch	Credit loan	2021.09.02- 2028.09.02	92,152	83,049	Note 3
Mega International Commercial Bank – Lan-Ya Branch	Secured loan	2021.10.08- 2026.09.15	4,946	4,922	Note 4
Chang Hwa Commercial Bank - Beitou Branch	Secured loan	2022.06.22- 2031.06.21	219,000	-	Note 5
Total			369,336	141,993	
Less: current portion			(4,457)	-	
Non-current portion			<u>\$364,879</u>	<u>\$141,993</u>	

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

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

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

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

Note 5: A term is defined as every 1 month starting from the initial draw-down date. Grace period is 3 years (36 terms). The rest is repayable in installments of equal amount for 204 terms

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

	As of December 31,	
	2022	2021
The interest rate intervals(%)	1.025%~6.43%	0.90%~1.08%

The Group obtained from the Ministry of Economy a low-interest government loan amounting NT\$60,000 thousands with a term of 5~10 years and annual interest rates of 0.50% and monthly interest payment on the 15th of each month. The loan was recorded under the caption of other liabilities-deferred government grants income. The Group shall recognize the government grant income when it is reasonably assured that the Group satisfy all the terms of the government grant agreement.

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

## (12)Post-employment benefits

### Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$50,459 thousand and NT\$45,602 thousand, respectively.

Pension for the years ended December 31, 2022 and 2021 were NT\$1 thousand and NT\$9 thousand, respectively.

### (13)Equity

#### A.Common stock

As of December 31, 2022 and 2021, the Company's authorized capital were NT\$1,000,000 thousand and 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.

As of May 24, 2022, the Company's Annual Shareholder's Meeting has approved the change of the authorized share capital amounted to NT\$1,000,000 thousand. As of June 13, 2022, the change registration was completed, and the change in the authorized share capital was approved and recorded by the competent authority

#### B.Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	\$1,804,928	\$1,804,928
Changes in equity of investment accounted for using equity method	4,609	3
Share-based payment transaction	804	-
Total	<u>\$1,810,341</u>	<u>\$1,804,931</u>



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.

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- e. The appropriations of earnings for the Years 2022 and 2021 were approved through the Board of Directors' meetings and shareholders' meeting held on February 13<sup>th</sup>, 2023 and May 24<sup>th</sup>, 2022, respectively. The details of the distribution are as follows.

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve	\$152,754	\$124,857		
Special reserve	(3,432)	8,224		
Cash dividend	700,000	595,000	\$10.0	\$8.5

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

D.Non-controlling interests

	For the year ended December 31,	
	2022	2021
Beginning balance	\$22,362	\$-
Non-controlling interests increase/(decrease)	22,500	22,500
Comprehensive income attributable to NCIs	2,446	(138)
Reorganization	694	-
Difference between consideration given/received and carrying amount of interests in subsidiaries acquired / disposed of	10,130	-
Share-based payment transaction	148	-
Ending balance	<u>\$58,280</u>	<u>\$22,362</u>

(14)Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	<u>\$6,321,198</u>	<u>\$5,595,043</u>

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Analysis of revenue from contracts with customers during the years ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2022	2021
	Single department	Single department
Sales of goods	\$6,321,198	\$5,595,043
The timing for revenue recognition:		
At a point in time	\$6,321,198	\$5,595,043

B. Contract balances

a. Contract liabilities – current

As of	2022.12.31	2021.12.31	2021.01.01
Sales of goods	\$74,709	\$51,556	\$64,981
Customer loyalty programmes	2,994	12,671	15,281
Total	\$77,703	\$64,227	\$80,262

The changes in the Group's balances of contract liabilities for the year ended 31 December 2022 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(48,632)	\$(12,671)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	71,785	2,994

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

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(60,710)	\$(15,281)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	47,285	12,671

(15)Expected credit gains (losses)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit gains (losses)		
Accounts receivable	\$6,859	\$(9,059)

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

December 31, 2022

	Not past due	Past due	Separate assessment	Total
Gross carrying amount	\$733,379	\$18,027	\$1,929	\$753,335
Loss rate	0.82%	1%	100%	
Lifetime expected credit losses	(6,031)	(180)	(1,929)	(8,140)
Carrying amount of accounts receivable	\$727,348	\$17,847	\$-	\$745,195

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December 31, 2021

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

B.The movement in the provision for impairment of accounts receivable for the year ended December 31, 2022 and 2021 are as follows:

	Accounts receivable
As of January 1, 2022	\$14,971
Addition (reversal)	(6,859)
Effect of exchange rate changes	28
As of December 31, 2022	\$8,140
As of January 1, 2021	\$5,917
Addition (reversal)	9,059
Effect of exchange rate changes	(5)
As of December 31, 2021	\$14,971

(16)Leases

A.Group as a lessee

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

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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

	Buildings	Machinery	Transportation	Total
<u>Cost:</u>				
As of 1/1/2022	\$207,324	\$-	\$-	\$207,324
Addition	358,479	-	-	358,479
Disposals	(74,547)	-	-	(74,547)
Transfer	-	-	-	-
Effect of EX rate	967	-	-	967
As of 12/31/2022	<u>\$492,223</u>	<u>\$-</u>	<u>\$-</u>	<u>\$492,223</u>
As of 1/1/2021	\$164,586	\$17,793	\$2,490	\$184,869
Addition	193,709	-	-	193,709
Disposals	(150,697)	(17,793)	(2,490)	(170,980)
Transfer	-	-	-	-
Effect of EX rate	(274)	-	-	(274)
As of 12/31/2021	<u>\$207,324</u>	<u>\$-</u>	<u>\$-</u>	<u>\$207,324</u>
<u>Depreciation and impairment:</u>				
As of 1/1/2022	\$49,666	\$-	\$-	\$49,666
Depreciation	116,884	-	-	116,884
Impairment loss	-	-	-	-
Disposal	(31,490)	-	-	(31,490)
Transfer	-	-	-	-
Effect of EX rate	220	-	-	220
As of 12/31/2022	<u>\$135,280</u>	<u>\$-</u>	<u>\$-</u>	<u>\$135,280</u>

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As of 1/1/2021	\$62,519	\$13,776	\$1,840	\$78,135
Depreciation	49,780	4,017	54	53,851
Impairment loss	-	-	-	-
Disposal	(62,464)	(17,793)	(1,894)	(82,151)
Transfer	-	-	-	-
Effect of EX rate	(169)	-	-	(169)
As of 12/31/2021	<u>\$49,666</u>	<u>\$-</u>	<u>\$-</u>	<u>\$49,666</u>

Net carrying amount:

As of 12/31/2022	<u>\$356,943</u>	<u>\$-</u>	<u>\$-</u>	<u>\$356,943</u>
As of 12/31/2021	<u>\$157,658</u>	<u>\$-</u>	<u>\$-</u>	<u>\$157,658</u>

II. Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities	<u>\$363,360</u>	<u>\$161,503</u>
Current	<u>\$132,253</u>	<u>\$52,396</u>
Non-current	<u>\$231,107</u>	<u>\$109,107</u>

Please refer to Note 6(18)(d) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021. Please refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

b. Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to short-term leases	\$ (51,198)	\$ (121,170)
The expense relating to leases of low-value assets	(1,131)	(702)
Income from subleasing right-of-use assets	516	212



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As of December 31, 2022 and 2021, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT\$0.

For the year ended December 31, 2022 and 2021, the Company recognized NT\$2,411 thousand and NT\$5,913 thousand as income to account the rent concession arising as a direct consequence of the covid-19 pandemic as a variable lease payment.

c. Cash outflow relating to leasing activities

	For the year ended December 31,	
	2022	2021
Cash outflow for leases	\$170,211	\$172,048

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

Nature \ Function	2022			2021		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$903,650	\$703,771	\$1,607,421	\$883,932	\$611,540	\$1,495,472
Labor and health insurance	82,831	34,263	117,094	76,227	33,577	109,804
Pension	28,838	21,622	50,460	26,094	19,517	45,611
Other employee benefit expense	44,886	43,099	87,985	39,216	33,813	73,029
Depreciation	839,106	84,770	923,876	580,225	72,031	652,256
Amortization	350	8,487	8,837	246	4,060	4,306

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

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

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$231,589 thousand and NT\$20,138 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$186,084 thousand and NT\$16,181 thousand, respectively, recognized as employee benefits.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$231,589 thousand and NT\$20,136 thousand, respectively, in a meeting held on February 13th, 2023. The NT\$2 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2022, 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\$186,084 thousand and NT\$16,179 thousand, respectively, in a meeting held on February 15th, 2022. The NT\$2 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2021, were recognized as gain or loss in the next year.

Pegavision Corporation and Subsidiaries  
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(18)Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,	
	2022	2021
Interest income		
Deposit interest	\$6,854	\$2,803
Financial assets measured at amortized cost	1,774	1,667
Subtotal	<u>\$8,628</u>	<u>\$4,470</u>

B.Other incomes

	For the year ended December 31,	
	2022	2021
Rent income	\$841	\$212
Government grants income	402	218
Other income - others	18,235	14,044
Total	<u>\$19,478</u>	<u>\$14,474</u>

C.Other gains and losses

	For the year ended December 31,	
	2022	2021
Gain from disposal of property, plant and equipment	\$180	\$381
Foreign exchange gain (loss), net	31,630	(7,864)
Gains (losses) on financial assets at fair value through profit or loss	761	360
Gains (losses) on lease modification	90	710
Impairment loss on non-financial assets	(40,759)	(24,015)
Other losses	(77)	(114)
Total	<u>\$(8,175)</u>	<u>\$(30,542)</u>

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D. Finance costs

	For the year ended December 31,	
	2022	2021
Interests on borrowings from bank	\$18,918	\$3,101
Interest on lease liabilities	3,608	1,358
Total	<u>\$22,526</u>	<u>\$4,459</u>

(19) Components of other comprehensive income (loss)

For the year ended December 31, 2022

	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>\$2,673</u>	<u>\$-</u>	<u>\$2,673</u>	<u>\$-</u>	<u>\$2,673</u>

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	<u>\$(8,224)</u>	<u>\$-</u>	<u>\$(8,224)</u>	<u>\$-</u>	<u>\$(8,224)</u>

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(20)Income tax

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

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax expense	\$265,817	\$211,192
Adjustments in respect of current income tax of prior periods	(903)	(19,246)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	7,023	3,555
Total income tax expense (income)	<u>\$271,937</u>	<u>\$195,501</u>

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

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	<u>\$1,817,278</u>	<u>\$1,443,937</u>
Tax payable at the enacted tax rates	\$418,116	\$298,273
Tax effect of income tax-exempted	(40,837)	(1,293)
Tax effect of expenses not deductible for tax purposes	60	41
Tax effect of deferred tax assets/liabilities	28,550	31,104
Surtax on undistributed earnings	26,764	14,774
Adjustments in respect of current income tax of prior periods	(903)	(19,246)
Operating loss for income tax deduction	1,096	4,934
Other adjustments according to the Tax Law	(160,909)	(133,086)
Total income tax expense (income) recognized in profit or loss	<u>\$271,937</u>	<u>\$195,501</u>

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

For the year ended December 31, 2022

	Beginning balance as of Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Income tax relating to components of other comprehensive income	Exchange adjustment	Ending balance as of Dec. 31, 2022
Temporary differences					
Unrealized loss on inventory valuation	\$11,557	\$2,495	\$-	\$-	\$14,052
Unrealized exchange loss (gain)	1,147	859	-	-	2,006
Other	(25,060)	(10,377)	-	(13)	(35,450)
Deferred tax income/ (expense)		<u>\$(7,023)</u>	<u>\$-</u>	<u>\$(13)</u>	
Net deferred tax assets/(liabilities)	<u>\$12,356</u>				<u>\$(19,392)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$13,305</u>				<u>\$17,793</u>
Deferred tax liabilities	<u>\$25,661</u>				<u>\$37,185</u>

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For the year ended December 31, 2021

	Beginning balance as of Jan. 1, 2021	Deferred tax income (expense) recognized in profit or loss	Income tax relating to components of other comprehensive income	Exchange adjustment	Ending balance as of Dec. 31, 2021
Temporary differences					
Unrealized loss on inventory valuation	\$14,035	\$(2,478)	\$-	\$-	\$11,557
Unrealized exchange loss (gain)	(5,039)	6,186	-	-	1,147
Other	(17,726)	(7,263)	-	(71)	(25,060)
Deferred tax income/ (expense)		<u>\$(3,555)</u>	<u>\$-</u>	<u>\$(71)</u>	
Net deferred tax assets/(liabilities)	<u>\$ (8,730)</u>				<u>\$(12,356)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$14,636</u>				<u>\$13,305</u>
Deferred tax liabilities	<u>\$23,366</u>				<u>\$25,661</u>

D.Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$164,987 thousand and NT\$133,662 thousand, respectively.

E.The assessment of income tax return

	The assessment of income tax return
The Company	Assessed and approved up to 2020.
Subsidiary – BeautyTech Platform Corporation	Assessed and approved up to 2020.
Subsidiary - Mayin Investment Co., Ltd.	The first-time assessment of 2021 has not yet been approved.
Subsidiary – FacialBeau International Corporation	The first-time assessment of 2021 has not yet been approved.

(21)Earnings per share

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

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

A.Basic earnings per share

	For the year ended December 31,	
	2022	2021
Net income available to common shareholders of the parent	\$1,542,135	\$1,248,574
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Basic earnings per share (in NT\$)	\$22.03	\$17.84



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B. Diluted earnings per share

Net income available to common shareholders of the parent	\$1,542,135	\$1,248,574
Net income available to common shareholders of the parent after dilution	\$1,542,135	\$1,248,574
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	602	470
Weighted average number of common stocks outstanding after dilution (in thousand shares)	70,602	70,470
Diluted earnings per share (in NT\$)	\$21.84	\$17.72

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

7. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

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

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(2) Significant transactions with related parties

A. Sales

Related parties	For the year ended December 31,	
	2022	2021
Kinsus Interconnect Technology Corp.	\$228	\$-

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 related parties were 90 days after monthly closing.

B. Lease-related parties

a. Right-of-use assets

Related parties	Nature	As of December 31,	
		2022	2021
Pegatron Japan Inc.	Buildings	\$331	\$1,164
Pegatron Corporation	Buildings	264,484	-
Total		\$264,815	\$1,164

b. Lease liabilities

Related parties	As of December 31,	
	2022	2021
Pegatron Japan Inc.	\$333	\$1,165
Pegatron Corporation	265,533	-
Total	\$265,866	\$1,165

c. Lease payment (Rental expense)

Related parties	Nature	For the year ended December 31,	
		2022	2021
Pegatron Corporation	Buildings	\$33,945	\$100,846

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d. Interest expenses

Related parties	For the year ended December 31,	
	2022	2021
Pegatron Japan Inc.	\$6	\$6
Pegatron Corporation	2,343	-
Total	<u>\$2,349</u>	<u>\$6</u>

C. Operating expense

Related parties	Nature	For the year ended December 31,	
		2022	2021
Pegatron Corporation	Provide services	<u>\$193</u>	<u>\$331</u>
Pegatron Corporation	Pay utilities	<u>\$94,295</u>	<u>\$93,649</u>
Pegatron Japan Inc.	Provide services and pay utilities and postage	<u>\$102</u>	<u>\$265</u>
Pegatron Czech S.R.O.	Provide services	<u>\$205</u>	<u>\$94</u>

D. Refundable deposits

Related parties	As of December 31,	
	2022	2021
Pegatron Corporation	<u>\$10,000</u>	<u>\$10,000</u>

E. Contract Liabilities

Related parties	As of December 31,	
	2022	2021
Kinsus Interconnect Technology Corp.	<u>\$-</u>	<u>\$60</u>

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F. Other payables

Related parties	As of December 31,	
	2022	2021
Pegatron Corporation	\$23,570	\$33,981
Pegatron Czech S.R.O.	-	26
Total	<u>\$23,570</u>	<u>\$34,007</u>

G. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022	2021
Short-term employee benefits and post-employment benefits	<u>\$43,394</u>	<u>\$17,548</u>

8. PLEDGED ASSETS

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

Item	Carrying Amount As of December 31,		Secured liabilities
	2022	2021	
Property, plant and equipment - Land (carrying amount)	\$196,960	\$-	Secured borrowings
Property, plant and equipment - Buildings (carrying amount)	124,544	42,036	Secured borrowings
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	<u>\$323,504</u>	<u>\$44,036</u>	

## 9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2022, 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	\$1,615,848	\$980,988	\$634,860
Machinery and equipment	14,000	11,200	2,800
Total	<u>\$1,629,848</u>	<u>\$992,188</u>	<u>\$637,660</u>

## 10. SIGNIFICANT DISASTER LOSS

None

## 11. SIGNIFICANT SUBSEQUENT EVENT

None

## 12. OTHERS

(1) Categories of financial instruments

### Financial assets

	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$666,488	\$67,028
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	1,841,762	1,844,816
Accounts receivables	745,195	627,333
Other receivables	5,523	6,708
Refundable deposits	67,809	68,564
Subtotal	<u>2,660,289</u>	<u>2,547,421</u>
Total	<u>\$3,326,777</u>	<u>\$2,614,449</u>

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Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Short-term borrowings	\$284,467	\$444,866
Payables	1,592,330	1,939,156
Long-term borrowings(including current portion with maturity less than 1 year)	369,336	141,993
Lease liabilities	363,360	161,503
Total	<u>\$2,609,493</u>	<u>\$2,687,518</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 and interest rate risk.

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

#### Foreign currency risk

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

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

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

When NTD appreciates/depreciates against USD by 1%, net income (loss) for the the year ended December 31, 2022 and 2021 would decrease/increase by NT\$5,643 thousand and NT\$1,563 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, net income (loss) for the the year ended December 31, 2022 and 2021 would decrease/increase by NT\$511 thousand and NT\$769 thousand, respectively.

#### Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the the year ended December 31, 2022 and 2021 would increase /decrease by NT\$155 thousand and decrease/increase by NT\$523 thousand, respectively.

#### (4)Credit risk management

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

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

As of December 31, 2022 and 2021, receivables from the top ten customers were accounted for 73.91% and 71.14% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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

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

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



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(5)Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
<u>As of December 31, 2022</u>							
Borrowings	\$296,456	\$25,058	\$44,659	\$47,518	\$45,647	\$241,002	\$700,340
Payables	1,592,330	-	-	-	-	-	1,592,330
Lease Liabilities	135,582	125,779	83,335	9,905	6,088	8,775	369,464
<u>As of December 31, 2021</u>							
Borrowings	\$446,693	\$5,050	\$7,004	\$20,449	\$25,060	\$91,489	\$595,745
Payables	1,939,156	-	-	-	-	-	1,939,156
Lease Liabilities	53,668	41,761	28,400	19,691	8,216	12,964	164,700

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	\$444,866	\$141,993	\$515	\$161,503	\$748,877
Cash flows	(160,399)	227,062	459	(117,882)	(50,760)
Non-cash changes					
Lease range changes	-	-	-	315,332	315,332
Interests on lease liabilities	-	-	-	3,608	3,608
Others	-	281	-	-	281
Currency rate change	-	-	-	799	799
As of December 31, 2022	\$284,467	\$369,336	\$974	\$363,360	\$1,018,137

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

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$367,890	\$14,705	\$645	\$106,246	\$489,486
Cash flows	76,976	128,580	(130)	(50,176)	155,250
Non-cash changes					
Lease range changes	-	-	-	104,170	104,170
Interests on lease liabilities	-	-	-	1,358	1,358
Others	-	(1,292)	-	-	(1,292)
Currency rate change	-	-	-	(95)	(95)
As of December 31, 2021	<u>\$444,866</u>	<u>\$141,993</u>	<u>\$515</u>	<u>\$161,503</u>	<u>\$748,877</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 of December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Money market fund	\$666,488	\$-	\$-	\$666,488
<u>Financial liabilities:</u>				
None				

As of December 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	\$67,028	\$-	\$-	\$67,028
<u>Financial liabilities:</u>				
None				

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

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

	As of December 31,					
	2022			2021		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$30,245	30.7175	\$929,038	\$24,770	27.871	\$690,362
CNY	\$28,276	4.4105	\$124,713	\$27,519	4.342	\$119,488
<u>Financial liabilities</u>						
Monetary items:						
USD	\$11,874	30.7175	\$364,753	\$19,294	27.683	\$534,106
CNY	\$16,679	4.4105	\$73,563	\$9,809	4.342	\$42,588
<u>Foreign currency resulting in exchange gain or loss</u>						
USD			\$32,964	USD		\$(4,252)
CNY			\$1,205	CNY		\$1,523
Other			\$(2,539)	Other		\$(5,135)

(10) Capital management

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

### 13. ADDITIONAL DISCLOSURES

#### (1) Information on significant transactions

A. Financing provided to others: None.

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

C. Marketable securities held as of December 31, 2022(excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 3.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 5.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: Please refer to attachment 6.

I. Derivative instrument transactions: None.

J. InterGroup relationships and significant interGroup transactions for the year ended December 31, 2022: Please refer to attachment 11.

#### (2) Information on investees

A. Investees over whom the Group exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 7.

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

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 8.

d. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

e. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 9.

f. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

g. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 10.

h. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31 2022: 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	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Pegavision (Jiangsu) Limited	Producing and selling medical equipment	\$85,620 (USD 3,000)	(1)	\$85,620	\$-	\$-	\$85,620	\$(2,618) (note 5 and 6)	100%	\$(2,618) (note 5、6 and 7)	\$79,045 (note 5、6 and 7)	\$-	\$85,620	\$85,620	\$3,891,439



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

BeautyTech Platform ( Shanghai ) Corporation	Selling medical equipment and cosmetic products	\$14,885 (USD 500)	(3) (note 2)	\$-	\$14,885	\$-	\$14,885	\$14,507 (note 5 and 6)	85%	\$12,331 (note 5 、 6 and 7)	\$24,867 (note 5 、 6 and 7)	\$-	\$14,885	\$14,885	\$156,246
Pegavision Contact Lenses (Shanghai) Corporation	selling medical equipment	\$112,559 (USD 3,600)	(3) (note 3)	\$112,559	\$-	\$-	\$112,559	\$(16,831) (note 5 and 6)	85%	\$(16,740) (note 5 、 6 and 7)	\$79,135 (note 5 、 6 and 7)	\$-	\$95,043	\$95,043	
Gemvision Technology (Zhejiang) Limited	selling medical equipment	\$97,031 (RMB 22,000) (note 5)	(3) (note 4)	\$-	\$-	\$-	\$-	\$(2,403) (note 5 and 6)	85%	\$(2,928) (note 5 、 6 and 7)	\$69,462 (note 5 、 6 and 7)	\$-	\$-	\$-	

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.

Note2: 100% Shares of BeautyTech Platform (Shanghai) Corporation owned and directly invested by BeautyTech Platform Corporation.

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

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Note3: To improve the synergy of the Group, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to BeautyTech Platform Corporation from the Company.

Note 4: 100% Shares of Gemvision Technology (Zhejiang) Limited owned and directly invested by Pegavision Contact Lenses (Shanghai) Corporation.

Note 5: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

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

Note 7: Transaction between consolidated entities are eliminated in the consolidated financial statements.

B. Significant transactions with investees in China:

- a. Purchase and balances of related accounts payable as of December 31, 2022: None.
- b. Sale and balance of related accounts receivable as of December 31, 2022: Please refer to attachment 11.
- c. Property transaction amounts and resulting gain or loss: None.
- d. Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- e. Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- f. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 11.
- g. Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 11 for details.

(4) Information on major shareholders

Major shareholders \ Shares	Shares	%
Kinsus Investment Co., Ltd.	21,233,736	30.33%
Asuspowers Investment Co., Ltd.	5,480,121	7.82%
Asustek Investment Co., Ltd.	4,934,434	7.04%

14. OPERATING SEGMENT

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

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

A.Geographical information

Revenues from external customers (Note 1)

	For the year ended December 31,	
	2022	2021
Taiwan	\$768,509	\$637,515
Other Asian countries	5,165,274	4,585,211
Other countries	387,415	372,317
Total	<u>\$6,321,198</u>	<u>\$5,595,043</u>

Note 1: The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31,	
	2022	2021
Taiwan	\$5,407,848	\$5,108,794
China	96,851	107,144
Japan	467	1,164
U.S.A	-	3,375
Total	<u>\$5,505,166</u>	<u>\$5,220,477</u>

B.Information about major customers

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

Name of customers	For the year ended December 31,	
	2022	2021
Customer A	\$1,621,890	\$1,118,525
Customer B	Note 2	909,118

Note 2: No Disclosure due to Individual customer's sale accounted less than 10% of consolidated net sale

Pegavision Corporation and Subsidiaries

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2022

Attachment 1

( In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Nature of Relationship										
-	-	-	-	-	\$-	\$-	\$-	\$-	-%	-	-	-	-

Note 1: The Company is coded "0".

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

Pegavision Corporation and Subsidiaries

Marketable Securities Held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures)

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2022			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	17,190,427	\$264,000	-	\$264,208	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	18,482,095	306,000	-	306,237	
	Add: Valuation Adjustment				445			
	Total				<u>\$570,445</u>		<u>\$570,445</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 Year Ended December 31, 2022

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Pegavision Corporation	Money Market Funds:													
	Yuanta Wan-Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$-	17,190,427	\$264,000	-	\$-	\$-	\$-	17,190,427	\$264,000
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$-	50,106,478	\$828,300	31,624,383	\$522,451	\$522,300	\$151	18,482,095	\$306,000
	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,556,527	\$55,012	15,300,101	\$237,000	18,856,628	\$292,123	\$292,012	\$111	-	\$-

Pegavision Corporation and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

As of December 31, 2022

Attachment 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Pegavision Corporation	Right-of-use assets -Buildings	2022.4.25	<u>\$330,604</u>	By Contract	Pegatron Corporation	Ultimate parent company	Pegatron Corporation	Ultimate parent company	Renew the tenancy	None	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None

Note: Transaction date means the date of agreement, date of contract signing, date of payment, date of resolution of the board of directors or a committee established by it, or other date that can confirm the counter-party and monetary amount of the transaction, whichever date is earlier.



Pegavision Corporation and Subsidiaries

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

For the Year Ended December 31, 2022

Attachment 5

(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	\$2,591,603	46.25%	90 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$335,242	37.41%	Note
									Contract liability \$(210)	1.98%	Note
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	Sales	\$287,764	5.14%	Within 180 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$67,566	7.54%	Note
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	Sales	\$262,481	4.68%	Within 120 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$98,960	11.04%	Note

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

Pegavision Corporation and Subsidiaries

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

As of December 31, 2022

Attachment 6

(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	\$335,242 (note)	8.14	\$-	-	\$45,575	\$-

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

Pegavision Corporation and Subsidiaries  
Investees over Whom the Company Exercise Significant Influence or Control (Excluding Investees in Mainland China)  
As of December 31, 2022

Attachment 7

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value			
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	<u>JPY 9,900</u>	<u>JPY 9,900</u>	198 shares	100.00%	<u>\$94,156</u>	<u>\$35,608</u>	<u>\$35,608</u>	Note1
Pegavision Corporation	Mayin Investment Co. , Ltd.	Taiwan	Investing activities	<u>NTD 246,003</u>	<u>NTD 120,003</u>	21,000,000 shares	100.00%	<u>\$383,590</u>	<u>\$102,903</u>	<u>\$102,903</u>	Note1
Mayin Investment Co. , Ltd.	BeautyTech Platform Corporation	Taiwan	Selling medical equipment and cosmetic products	<u>NTD 107,500</u>	<u>NTD 40,000</u>	8,500,000 shares	85.00%	<u>\$221,349</u>	<u>\$114,108</u>	<u>\$107,629</u>	Note1
Mayin Investment Co. , Ltd.	FacialBeau International Corporation	Taiwan	Selling medical equipment and cosmetic products	<u>NTD 27,500</u>	<u>NTD 27,500</u>	2,750,000 shares	55.00%	<u>\$25,576</u>	<u>\$(3,481)</u>	<u>\$(1,915)</u>	Note1
BeautyTech Platform Corporation	Aquamax Vision Corporation	USA	Selling medical equipment and cosmetic products	<u>-</u> (Note 2)	<u>USD 1,100</u>	-	-	<u>\$-</u> (Note 2)	<u>\$(6,344)</u>	<u>\$(6,206)</u>	Note1
BeautyTech Platform Corporation	Beautytech Platform (Singapore) Pte. Ltd.	Singapore	Selling medical equipment and cosmetic products	<u>USD 200</u>	Not applicable	200,000 shares	100.00%	<u>\$6,221</u>	<u>\$(46)</u>	<u>\$(46)</u>	Note1
FacialBeau International Corporation	Aquamax Vision Corporation	USA	Selling medical equipment and cosmetic products	<u>USD 1,100</u>	<u>-</u> (Note 2)	11,000,000 shares	100.00%	<u>\$6,895</u> (Note 2)	<u>\$(6,344)</u>	<u>\$(138)</u>	Note1
FacialBeau International Corporation	RODNA Co., Ltd.	Korea	Selling medical equipment and cosmetic products	<u>KRW 100,000</u>	Not applicable	-	100.00%	<u>\$2,345</u>	<u>\$(87)</u>	<u>\$(87)</u>	Note1

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

Note 2: To improve the synergy of the Group, the equity of Aquamax Vision Corporation was transferred to FacialBeau International Corporation from BeautyTech Platform Corporation.

## Pegavision Corporation and Subsidiaries

Marketable Securities Held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures)

## Attachment 8

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2022			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
Mayin Investment Co. , Ltd.	Money market funds:							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	392,329	\$5,000		\$5,001	
BeautyTech Platform Corporation	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	2,958,590	49,000		49,022	
	Yuanta Wan-Tai Money Market Fund	-	Financial assets at fair value through profit or loss	2,733,974	42,000		42,020	
	Add: Valuation Adjustment				43			
	Total				<u>\$96,043</u>		<u>\$96,043</u>	

Pegavision Corporation and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

As of December 31, 2022

Attachment 9

(In Thousands of Foreign Currency / New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Mayin Investment Co. , Ltd.	Land	2022.3.1	\$194,800	By Contract	Natural person	None	None	None	None	None	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None
	Buildings	2022.3.1	80,020	By Contract	Zhongmao Co. , Ltd.	None	None	None	None	None	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None
	Total		<u>\$274,820</u>										

Note: Transaction date means the date of agreement, date of contract signing, date of payment, date of resolution of the board of directors or a committee established by it, or other date that can confirm the counter-party and monetary amount of the transaction, whichever date is earlier.

Pegavision Corporation and Subsidiaries

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

For the Year Ended December 31, 2022

Attachment 10

(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	\$2,591,603	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$335,032	100.00%	Note
Gemvision Technology (Zhejiang) Limited	Pegavision Corporation	Subsidiary	Purchase	\$287,764	94.82%	Within 180 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$67,566	98.79%	Note
BeautyTech Platform Corporation	Pegavision Corporation	Subsidiary	Purchase	\$262,481	80.61%	Within 120 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$98,960	90.89%	Note

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

Pegavision Corporation and Subsidiaries  
Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2022

Attachment 11

(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>2022.01.01~2022.12.31</u>						
0	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	\$2,591,603	90 days after monthly closing	41.00%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	335,242	90 days after monthly closing	3.51%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Sales revenue	287,764	Within 180 days after monthly closing	4.55%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	67,566	Within 180 days after monthly closing	0.71%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Sales revenue	262,481	Within 120 days after monthly closing	4.15%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Accounts receivable	98,960	Within 120 days after monthly closing	1.03%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Operating expense	40,823	Within 120 days after monthly closing	0.65%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other payable	8,925	30 days after monthly closing	0.09%
0	Pegavision Corporation	Aqumax Vision Corporation	1	Sales revenue	(10,356)	Within 120 days after monthly closing	(0.16)%
0	Pegavision Corporation	FacialBeau International Corporation	1	Sales revenue	40,822	Within 90 days after monthly closing	0.65%
0	Pegavision Corporation	FacialBeau International Corporation	1	Accounts receivable	16,563	Within 90 days after monthly closing	0.17%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Operating expense	15,115	Within 180 days after monthly closing	0.24%
1	Mayin Investment Co., Ltd	BeautyTech Platform Corporation	3	Rent income	5,000	T/T in advance	0.08%
2	FacialBeau International Corporation	BeautyTech Platform Corporation	3	Sales revenue	54,303	Within 30 days after monthly closing	0.86%
2	FacialBeau International Corporation	BeautyTech Platform Corporation	3	Accounts receivable	6,512	Within 30 days after monthly closing	0.07%
5	BeautyTech Platform (Shanghai) Corporation	Pegavision Contact Lenses (Shanghai) Corporation	3	Service revenue	11,053	30 days after monthly closing	0.17%
5	BeautyTech Platform (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Service revenue	24,758	30 days after monthly closing	0.39%
5	BeautyTech Platform (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Other receivable	5,612	30 days after monthly closing	0.06%

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.

Note 5: Transactions exceeding NT\$5,000 thousand have been disclosed.

**Ticker: 6491**

**PEGAVISION CORPORATION  
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AS OF DECEMBER 31, 2022 AND 2021  
AND FOR THE YEARS THEN ENDED**

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

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



## **INDEPENDENT AUDITORS' REPORT**

To: the Board of Directors and Shareholders of  
Pegavision Corporation

### **Opinion**

We have audited the accompanying parent-company-only balance sheets of Pegavision Corporation (the “Company”) as of December 31, 2022 and 2021, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as “the parent-company-only financial statements”).

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2022 and 2021, and the parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT\$5,603,362 thousand for the year ended December 31, 2022 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Japan, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

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

### Market valuation on Inventory

We determined the market valuation on inventory is also one of key audit matters. The Company's net inventory amounted to NT\$405,945 thousand, representing 5% of total assets, as of December 31, 2022, which is significant to the Company's financial statements. The market of the Company's main products, is characterized by fierce competition and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value.

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

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/Cheng,Ching-Piao

/s/Kuo,Shao-Pin

Ernst & Young  
Taiwan, R.O.C  
February 13<sup>th</sup>, 2023

Notice to Readers

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

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

Pegavision Corporation  
Parent-Company-Only Balance Sheets  
As of December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
11XX	Current assets					
1100	Cash and cash equivalents	4,6(1)	\$1,399,682	16	\$1,447,272	18
1110	Financial assets at fair value through profit or loss	4,6(2)	570,445	6	55,024	1
1170	Accounts receivable, net	4,6(3)	377,093	4	319,381	4
1180	Accounts receivable - related parties, net	4,6(3),7	519,072	6	538,184	6
1200	Other receivables		4,411	-	5,348	-
1210	Other receivables - related parties	7	257	-	328	-
1310	Inventories, net	4,6(4)	405,945	5	406,315	5
1410	Prepayments		58,749	1	56,212	1
1470	Other current assets		15,643	-	26,302	-
	Total current assets		<u>3,351,297</u>	<u>38</u>	<u>2,854,366</u>	<u>35</u>
15XX	Non-current assets					
1550	Investment accounted for under equity method	4,6(5)	456,699	5	281,810	3
1600	Property, plant and equipment, net	4,6(6),8	4,643,032	52	4,905,796	60
1755	Right-of-use assets, net	4,6(17)	264,484	3	-	-
1780	Intangible assets, net	4,6(7)	21,549	-	11,550	-
1840	Deferred tax assets	4,6(21)	16,057	-	12,704	-
1900	Other non-current assets	6(6),6(8),7,8,9	127,970	2	122,898	2
	Total non-current assets		<u>5,529,791</u>	<u>62</u>	<u>5,334,758</u>	<u>65</u>
	Total Assets		<u>\$8,881,088</u>	<u>100</u>	<u>\$8,189,124</u>	<u>100</u>

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

Pegavision Corporation  
Parent-Company-Only Balance Sheets (Continued)  
As of December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
21XX	Current liabilities					
2100	Short-term borrowings	6(9)	\$284,467	3	\$444,866	5
2130	Contract liabilities	6(15), 7	10,625	-	24,000	-
2150	Notes payable		3,441	-	2,216	-
2170	Accounts payable		184,648	2	199,583	3
2200	Other payables	6(10), 7	1,230,750	14	1,640,762	20
2230	Current tax liabilities	4,6(21)	66,520	1	99,171	1
2280	Lease liabilities	4,6(17)	98,584	1	-	-
2300	Other current liabilities	6(11),6(12),7,8	226,875	3	123,619	2
	Total current liabilities		<u>2,105,910</u>	<u>24</u>	<u>2,534,217</u>	<u>31</u>
25XX	Non-current liabilities					
2540	Non-current portion of long-term borrowings	6(12),8	145,879	2	141,993	2
2570	Deferred tax liabilities	4,6(21)	34,282	-	25,661	-
2580	Lease liabilities	4,6(17)	166,949	2	-	-
2645	Guarantee deposits received	7	400	-	404	-
2670	Other non-current liabilities	6(11)	216	-	784	-
	Total non-current liabilities		<u>347,726</u>	<u>4</u>	<u>168,842</u>	<u>2</u>
	Total liabilities		<u>2,453,636</u>	<u>28</u>	<u>2,703,059</u>	<u>33</u>
31XX	Equity attributable to shareholders of the parent					
3100	Capital	6(14)				
3110	Common stock		700,000	8	700,000	9
3200	Capital surplus	6(14)	1,810,341	20	1,804,931	22
3300	Retained earnings	6(14)				
3310	Legal reserve		367,572	4	242,715	3
3320	Special reserve		16,367	-	8,143	-
3350	Unappropriated retained earnings		3,546,106	40	2,746,643	33
3400	Other equity interest		(12,934)	-	(16,367)	-
	Total equity		<u>6,427,452</u>	<u>72</u>	<u>5,486,065</u>	<u>67</u>
	Total liabilities and equity		<u>\$8,881,088</u>	<u>100</u>	<u>\$8,189,124</u>	<u>100</u>

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

Pegavision Corporation  
Parent-Company-Only Statements of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	4,6(15),7	\$5,603,362	100	\$5,162,463	100
5000	Operating costs	6(3),7	(2,971,928)	(53)	(2,685,241)	(52)
5900	Gross profit from operations		2,631,434	47	2,477,222	48
5910	Unrealized gross profit (loss) from sales		30,814	1	4,642	-
	Gross profit from operations		2,662,248	48	2,481,864	48
6000	Operating expenses	7				
6100	Selling expenses		(144,177)	(2)	(266,304)	(5)
6200	Administrative expenses		(323,756)	(6)	(268,506)	(5)
6300	Research and development expenses		(551,472)	(10)	(546,642)	(11)
6450	Expected credit gains (losses)	6(16)	5,534	-	(7,873)	-
	Operating expenses total		(1,013,871)	(18)	(1,089,325)	(21)
6900	Operating income		1,648,377	30	1,392,539	27
7000	Non-operating income and expenses	6(19)				
7100	Interest income		6,358	-	3,429	-
7010	Other income		10,572	-	15,803	-
7020	Other gains and losses		(4,072)	1	(29,767)	-
7050	Finance costs		(18,814)	-	(3,206)	-
7060	Share of profit or loss of subsidiaries, associates and joint ventures	4,6(5)	119,670	1	37,056	-
	Non-operating income and expense total		113,714	2	23,315	-
7900	Income from continuing operations before income tax		1,762,091	32	1,415,854	27
7950	Income tax	4,6(21)	(219,956)	(4)	(167,280)	(3)
8200	Net income		1,542,135	28	1,248,574	24
8300	Other comprehensive income (loss)	6(20)				
8360	Items that may be reclassified subsequently to profit or loss					
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		3,433	-	(8,224)	-
	Total other comprehensive income, net of tax		3,433	-	(8,224)	-
8500	Total comprehensive income		\$1,545,568	28	\$1,240,350	24
9750	Earnings per share - basic (in NT\$)	4,6(22)	\$22.03		\$17.84	
9850	Earnings per share - diluted (in NT\$)	4,6(22)	\$21.84		\$17.72	

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



Pegavision Corporation  
Parent-Company-Only Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars)

	Items	Capital	Capital Surplus	Retained Earnings			Other Components of equity	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	
Code		3100	3200	3310	3320	3350	3410	3XXX
A1	Balance as of January 1, 2021	\$700,000	\$1,804,928	\$171,179	\$9,795	\$1,917,956	\$(8,143)	\$4,595,715
	Appropriation and distribution of 2020 earnings:							
B1	Legal reserve appropriated			71,536		(71,536)		-
B3	Special reserve appropriated				(1,652)	1,652		-
B5	Cash dividends - common shares					(350,000)		(350,000)
D1	Net income for 2021					1,248,574		1,248,574
D3	Other comprehensive income (loss) for 2021						(8,224)	(8,224)
D5	Total comprehensive income	-	-	-	-	1,248,574	(8,224)	1,240,350
H3	Reorganization		3			(3)		-
Z1	Balance as of December 31, 2021	<u>\$700,000</u>	<u>\$1,804,931</u>	<u>\$242,715</u>	<u>\$8,143</u>	<u>\$2,746,643</u>	<u>\$(16,367)</u>	<u>\$5,486,065</u>
A1	Balance as of January 1, 2022	\$700,000	\$1,804,931	\$242,715	\$8,143	\$2,746,643	\$(16,367)	\$5,486,065
	Appropriation and distribution of 2021 earnings:							
B1	Legal reserve appropriated			124,857		(124,857)		-
B3	Special reserve appropriated				8,224	(8,224)		-
B5	Cash dividends - common shares					(595,000)		(\$595,000)
D1	Net income for 2022					1,542,135		\$1,542,135
D3	Other comprehensive income (loss) for 2022						3,433	3,433
D5	Total comprehensive income	-	-	-	-	1,542,135	3,433	1,545,568
H3	Reorganization		4,729			(5,423)		(694)
M5	Difference between consideration given / received and carrying amount of interests in subsidiaries acquired / disposed of		(962)			(9,168)		(10,130)
N1	Share-based payment transaction		1,643					1,643
Z1	Balance as of December 31, 2022	<u>\$700,000</u>	<u>\$1,810,341</u>	<u>\$367,572</u>	<u>\$16,367</u>	<u>\$3,546,106</u>	<u>\$(12,934)</u>	<u>\$6,427,452</u>

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

Pegavision Corporation  
Parent-Company-Only Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	1,762,091	1,415,854	B01800	Acquisition of investment accounted for under equity method	(126,000)	(194,180)
A20010	Profit or loss not effecting cash flows:			B01900	Proceeds from disposal of investment accounted for under equity method	95,043	-
A20100	Depreciation (including right-of-use assets)	860,427	603,226	B02700	Acquisition of property, plant and equipment	(1,069,186)	(1,779,133)
A20200	Amortization	8,288	4,047	B02800	Proceeds from disposal of property, plant and equipment	180	447
A20300	Expected credit losses (gain)	(5,534)	7,873	B03700	Decrease (increase) in refundable deposits	542	23,170
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(698)	(356)	B04500	Acquisition of intangible assets	(18,287)	(9,301)
A20900	Interest expense	18,814	3,206	BBBB	Net cash provided by (used in) investing activities	(1,117,708)	(1,958,997)
A21200	Interest income	(6,358)	(3,429)				
A21900	Share-based payments awards	804	-	CCCC	Cash flows from financing activities:		
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	(119,670)	(37,056)	C00100	Increase in (repayment of) short-term borrowings	(160,399)	76,976
A22500	Loss on disposal of property, plant and equipment	(180)	(447)	C01600	Increase in long-term borrowings	9,104	128,580
A23700	Impairment loss on non-financial assets	37,686	24,015	C01700	Repayment of long-term borrowings	(1,042)	-
A23900	Unrealized (gains) losses	(30,814)	(4,642)	C03000	Increase (decrease) in guarantee deposits received	(4)	(230)
A29900	Loss (gain) on lease modification	-	(690)	C04020	Payments of lease liabilities	(67,415)	(8,495)
A29900	Loss (gain) on government grants	(402)	(218)	C04500	Cash dividends paid	(595,000)	(350,000)
A30000	Changes in operating assets and liabilities:			CCCC	Net cash provided by (used in) financing activities	(814,756)	(153,169)
A31115	Mandatorily measured Financial assets at fair value through profit or loss	(514,723)	512,101				
A31150	Accounts receivable	(52,178)	(68,971)	EEEE	Increase (decrease) in cash and cash equivalents	(47,590)	494,369
A31160	Accounts receivable - related parties	19,112	43,879	E00100	Cash and cash equivalents at beginning of period	1,447,272	952,903
A31180	Other receivables	1,112	(1,745)	E00200	Cash and cash equivalents at end of period	\$1,399,682	\$1,447,272
A31190	Other receivables - related parties	71	(328)				
A31200	Inventories	370	(114,467)				
A31230	Prepayments	(2,537)	(14,035)				
A31240	Other current assets	10,659	7				
A32125	Contract liabilities	(13,375)	(15,635)				
A32130	Notes payable	1,225	1,662				
A32150	Accounts payable	(14,935)	55,494				
A32180	Other payables	84,132	332,739				
A32230	Other current liabilities	98,633	(8,917)				
A33000	Cash generated from operations	2,142,020	2,733,167				
A33100	Interest received	6,183	3,506				
A33300	Interest paid	(15,990)	(3,381)				
A33500	Income tax paid	(247,339)	(126,757)				
AAAA	Net cash provided by (used in) operating activities	1,884,874	2,606,535				

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

## 1.HISTORY AND ORGANIZATION

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

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

## 2.DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 13<sup>th</sup>, 2023.

## 3.NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(a) 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.

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

The amendments introduce the definition of accounting estimates and include 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.

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

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The Company assesses all standards and interpretations have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January,1 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January,1 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January,1 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January,1 2024

(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 2020 and 2021. 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)Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e)Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

#### 4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1)Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

##### (2)Basis of preparation

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

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

##### (3)Foreign currency transactions

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

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

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

- (A) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (B) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.
- (C) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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



(4) Translation of financial statements in foreign currency

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

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

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

(7)Financial instruments

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

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

(A)Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (I) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (II) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

#### (C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D)Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

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

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

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

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

#### Financial liabilities at amortized cost

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

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

#### Derecognition of financial liabilities

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

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



(E) Offsetting of financial instruments

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

(8) Fair value measurement

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

(A) In the principal market for the asset or liability, or

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

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

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

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

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

(9) Inventories

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

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

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads excluding borrowing costs.

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

(10) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

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

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

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

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

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12)Leases

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

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

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

Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

#### Company as a lessor

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

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

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

(13)Intangible assets

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

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

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

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

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

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



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

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

#### (14) Impairment of non-financial assets

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

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

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

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

(15)Revenue recognition

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

Sale of goods

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

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

(16)Borrowing costs

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

(17)Government grants

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

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

(18)Post-employment benefits

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

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

(19)Income tax

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

### Current income tax

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

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

### Deferred tax

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

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

- (A) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (B) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

## Estimates and assumptions

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

### (1)Accounts receivables - estimation of impairment loss

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

### (2)Inventory

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

### (3)Revenue recognition - sale returns and allowances

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

(4)Income tax

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

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

6.CONTENTES OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash and petty cash	\$1,474	\$1,435
Checkings and savings	96,697	115,937
Time deposit	1,301,511	1,329,900
Total	<u>\$1,399,682</u>	<u>\$1,447,272</u>

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

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Money market fund	\$570,000	\$55,012
Valuation adjustment	445	12
Total	<u>\$570,445</u>	<u>\$55,024</u>
Current	\$570,445	\$55,024
Non-current	-	-
Total	<u>\$570,445</u>	<u>\$55,024</u>

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

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

A. Accounts receivable, net

	As of December 31,	
	2022	2021
Accounts receivable, gross	\$384,514	\$332,336
Less: loss allowance	(7,421)	(12,955)
Net of allowances	<u>377,093</u>	<u>319,381</u>
Accounts receivable - related parties, gross	519,072	538,184
Less: loss allowance	-	-
Net of allowances	<u>519,072</u>	<u>538,184</u>
Total accounts receivable, net	<u>\$896,165</u>	<u>\$857,565</u>

B. Accounts receivable were not pledged.

C. Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is NT\$903,586 thousand and NT\$870,520 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(16) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.



(4)Inventory

A.Details of inventory:

	As of December 31,	
	2022	2021
Raw materials	\$92,656	\$97,121
Supplies	7,437	4,875
Work in process	146,162	204,759
Finished goods	159,690	99,560
Total	\$405,945	\$406,315

B.For the years ended December 31, 2022 and 2021, the Company recognized NT\$2,971,928 thousand and NT\$2,685,241 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the year ended December 31,	
	2022	2021
Loss (Gain) from inventory market decline	\$16,672	\$(14,184)
Loss from inventory write-off obsolescence	27,428	23,484
Total	\$44,100	\$9,300

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

C.The inventories were not pledged.

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

(5) Investments accounted for under the equity method

	As of December 31,				Note
	2022		2021		
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership	
Investments in subsidiaries:					
Mayin Investment Co., Ltd.	\$383,590	100%	\$164,344	100%	None
Pegavision Japan Inc.	94,156	100%	59,801	100%	None
Pegavision Contact Lenses (Shanghai) Corporation	-	-%	108,184	100%	Note 1
Pegavision (Jiangsu) Limited	79,045	100%	80,387	100%	None
Unrealized profit	<u>(100,092)</u>		<u>(130,906)</u>		
Total	<u>\$456,699</u>		<u>\$281,810</u>		

Note 1: To improve the synergy of the Group, the board of directors decided to transfer the equity of Pegavision Contact Lenses (Shanghai) Corporation from the Company to BeautyTech Platform Corporation.

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

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

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

(6)Property, plant and equipment

							Construction in progress and equipment awaiting inspection (including prepayment for equipment)	Total
	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Other equipment		
<u>Cost:</u>								
As of 1/1/2022	\$1,317,564	\$69,345	\$4,755,399	\$1,505	\$76,498	\$860,422	\$766,275	\$7,847,008
Addition	-	-	-	-	-	-	593,129	593,129
Disposals	-	-	(44,297)	-	(805)	(23,281)	-	(68,383)
Transfer	-	-	165,168	468	3,834	69,435	(257,192)	(18,287)
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2022	<u>\$1,317,564</u>	<u>\$69,345</u>	<u>\$4,876,270</u>	<u>\$1,973</u>	<u>\$79,527</u>	<u>\$906,576</u>	<u>\$1,102,212</u>	<u>\$8,353,467</u>
As of 1/1/2021	\$1,317,564	\$69,345	\$2,946,116	\$980	\$72,088	\$728,781	\$516,428	\$5,651,302
Addition	-	-	-	-	-	-	2,290,810	2,290,810
Disposals	-	-	(67,751)	-	(593)	(17,459)	-	(85,803)
Transfer	-	-	1,877,034	525	5,003	149,100	(2,040,963)	(9,301)
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2021	<u>\$1,317,564</u>	<u>\$69,345</u>	<u>\$4,755,399</u>	<u>\$1,505</u>	<u>\$76,498</u>	<u>\$860,422</u>	<u>\$766,275</u>	<u>\$7,847,008</u>
<u>Depreciation and impairment:</u>								
As of 1/1/2022	\$-	\$27,309	\$2,227,640	\$876	\$67,757	\$541,495	\$-	\$2,865,077
Depreciation	-	2,914	682,535	238	7,559	101,060	-	794,306
Impairment loss	-	9,798	-	-	-	27,888	-	37,686
Disposal	-	-	(44,297)	-	(805)	(23,281)	-	(68,383)
Transfer	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2022	<u>\$-</u>	<u>\$40,021</u>	<u>\$2,865,878</u>	<u>\$1,114</u>	<u>\$74,511</u>	<u>\$647,162</u>	<u>\$-</u>	<u>\$3,628,686</u>

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

As of 1/1/2021	\$-	\$8,096	\$1,786,630	\$698	\$59,627	\$476,995	\$-	\$2,332,046
Depreciation	-	4,013	500,814	178	8,723	81,091	-	594,819
Impairment loss	-	15,200	7,947	-	-	868	-	24,015
Disposal	-	-	(67,751)	-	(593)	(17,459)	-	(85,803)
Transfer	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
As of 12/31/2021	\$-	\$27,309	\$2,227,640	\$876	\$67,757	\$541,495	\$-	\$2,865,077

Net carrying amount:

As of 12/31/2022	\$1,317,564	\$29,324	\$2,010,392	\$859	\$5,016	\$259,414	\$1,102,212	\$4,724,781
As of 12/31/2021	\$1,317,564	\$42,036	\$2,527,759	\$629	\$8,741	\$318,927	\$766,275	\$4,981,931

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

	As of December 31,	
	2022	2021
Property, plant and equipment	\$4,643,032	\$4,905,796
Prepayment for equipment	81,749	76,135
Total	\$4,724,781	\$4,981,931

B.For the years ended December 31, 2022 and 2021, NT\$37,686 thousand and NT\$24,015 thousand impairment loss represented the write down of certain property, plant and equipment to the recoverable amount. This has been recognized in the statement of comprehensive income. The recoverable value is measured at usage values by the individual units.

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

(7)Intangible assets

	<u>Computer software</u>
<u>Cost:</u>	
As of January 1, 2022	\$32,077
Additions – acquired separately	-
Transfer	18,287
Derecognized upon retirement	(2,909)
As of December 31, 2022	<u>\$47,455</u>
As of January 1, 2021	\$22,776
Additions – acquired separately	-
Transfer	9,301
Derecognized upon retirement	-
As of December 31, 2021	<u>\$32,077</u>
<u>Amortization and Impairment:</u>	
As of January 1, 2022	\$20,527
Amortization	8,288
Derecognized upon retirement	(2,909)
As of December 31, 2022	<u>\$25,906</u>
As of January 1, 2021	\$16,480
Amortization	4,047
Derecognized upon retirement	-
As of December 31, 2021	<u>\$20,527</u>
<u>Carrying amount, net:</u>	
As of December 31, 2022	<u>\$21,549</u>
As of December 31, 2021	<u>\$11,550</u>

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2022	2021
Manufacturing expense	\$350	\$245
Selling expense	261	532
Administrative expense	6,486	2,396
Research and development expense	1,191	874
Total	<u>\$8,288</u>	<u>\$4,047</u>

(8)Other non-current assets

	As of December 31,	
	2022	2021
Refundable deposits	\$46,221	\$46,763
Prepayment for equipment	81,749	76,135
Total	<u>\$127,970</u>	<u>\$122,898</u>

Please refer to Note 8 for more details on Refundable deposits under pledge.

(9)Short-term borrowings

	As of December 31,	
	2022	2021
Unsecured bank loans	<u>\$284,467</u>	<u>\$444,866</u>
Interest Rate (%)	<u>3.04%~5.63%</u>	<u>0.58%~0.80%</u>

The Company's unused short-term lines of credits amounts to NT\$938,762 thousand and NT\$731,964 thousand, as at December 31, 2022 and 2021, respectively.

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

(10)Other payable

	As of December 31,	
	2022	2021
Accrued expenses	\$1,111,300	\$1,027,168
Accrued interest payable	478	278
Payable to equipment suppliers	118,972	613,316
Total	<u>\$1,230,750</u>	<u>\$1,640,762</u>

(11)Other current liabilities

A.Details of other current liabilities

	As of December 31,	
	2022	2021
Other current liabilities	\$55,470	\$24,161
Refund liability	166,501	99,177
Deferred government grants income	447	281
Current portion of long-term loans payable	4,457	-
Total	<u>\$226,875</u>	<u>\$123,619</u>

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

	For the year ended December 31,	
	2022	2021
Beginning balance	\$1,065	\$299
Received during the period	-	984
Released to the statement of comprehensive income	(402)	(218)
Ending Balance	<u>\$663</u>	<u>\$1,065</u>
Current	<u>\$447</u>	<u>\$281</u>
Non-current	<u>\$216</u>	<u>\$784</u>

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 of December 31,		Repayment
			2022	2021	
Chang Hwa Commercial Bank - Beitou Branch	Credit loan	2020.03.25-2025.03.15	\$4,968	\$4,943	Notes 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2020.11.10-2030.10.15	9,654	9,839	Notes 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2021.04.08-2030.10.15	38,616	39,240	Notes 2
Mega International Commercial Bank – Lan-Ya Branch	Credit loan	2021.09.02-2028.09.02	92,152	83,049	Notes 3
Mega International Commercial Bank – Lan-Ya Branch	Secured loan	2021.10.08-2026.09.15	4,946	4,922	Notes 4
Total			150,336	141,993	
Less: current portion			(4,457)	-	
Non-current portion			<u>\$145,879</u>	<u>\$141,993</u>	

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

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

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

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



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

	As of December 31,	
	2022	2021
The interest rate intervals(%)	1.025%~6.43%	0.90%~1.08%

The Company obtained from the Ministry of Economy a low-interest government loan amounting NT\$60,000 thousands with a term of 5~10 years and annual interest rates of 0.50% and monthly interest payment on the 15th of each month. The loan was recorded under the caption of other liabilities-deferred government grants income. The Company shall recognize the government grant income when it is reasonably assured that the Company satisfy all the terms of the government grant agreement.

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

### (13)Post-employment benefits

#### Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 are NT\$42,395 thousand and NT\$42,302 thousand, respectively.

Pension for the years ended December 31, 2022 and 2021 were NT\$1 thousand and NT\$9 thousand, respectively.

(14)Equity

A.Common stock

As of December 31, 2022 and 2021, the Company's authorized capital were NT\$1,000,000 thousand and NT\$800,000 thousand , respectively. 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.

As of May 24, 2022, the Company's Annual Shareholder's Meeting has approved the change of the authorized share capital amounted to NT\$1,000,000 thousand. As of June 13, 2022, the change registration was completed, and the change in the authorized share capital was approved and recorded by the competent authority

B.Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	\$1,804,928	\$1,804,928
Changes in equity of investment accounted for using equity method	4,609	3
Share-based payment transaction	804	-
Total	<u>\$1,810,341</u>	<u>\$1,804,931</u>

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

C.Appropriation of earnings and dividend policies

a.Distribution of earnings

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

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

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

b.Dividend policy

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

c.Legal reserve

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

d. Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

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

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

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

e. The appropriations of earnings for the Years 2022 and 2021 were approved through the Board of Directors’ meeting and shareholders’ meeting held on February 13th, 2023 and May 24th, 2022, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve	\$152,754	\$124,857		
Special reserve	(3,433)	8,224		
Cash dividend	700,000	595,000	\$10	\$8.5

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

(15) Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	<u>\$5,603,362</u>	<u>\$5,162,463</u>

Analysis of revenue from contracts with customers are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2022	2021
	Single department	Single department
Sales of goods	<u>\$5,603,362</u>	<u>\$5,162,463</u>

The timing for revenue recognition:

At a point in time	<u>\$5,603,362</u>	<u>\$5,162,463</u>
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B. Contract balances

a. Contract liabilities – current

As of	2022.12.31	2021.12.31	2021.01.01
Sales of goods	\$10,625	\$24,000	\$24,374
Customer loyalty programmes	-	-	15,261
Total	<u>\$10,625</u>	<u>\$24,000</u>	<u>\$39,635</u>

The changes in the Company's balances of contract liabilities for the year ended 31 December 2022 are as follows:

	Sales of goods
The opening balance transferred to revenue	\$(23,324)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	9,949

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

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

(16) Expected credit gains (losses)

	For the year ended December 31,	
	2022	2021
Operating expenses - Expected credit gains (losses)		
Accounts receivable	\$5,534	\$(7,873)

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

December 31, 2022

	Not past due	Past due ≤60 days	Separate assessment	Total
Gross carrying amount	\$887,419	\$14,238	\$1,929	\$903,586
Loss rate	0.6%	1%	100%	
Lifetime expected credit losses	(5,350)	(142)	(1,929)	(7,421)
Carrying amount of accounts receivable	\$882,069	\$14,096	\$-	\$896,165

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

December 31, 2021

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

B.The movement in the provision for impairment of accounts receivable for the years 2022 and 2021 are as follows:

	Accounts receivable
As of January 1, 2022	\$12,955
Addition (reversal)	(5,534)
As of December 31, 2022	\$7,421
As of January 1, 2021	\$5,082
Addition (reversal)	7,873
As of December 31, 2021	\$12,955

(17)Leases

A.Company as a lessee

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

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

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

a.Amounts recognized in the balance sheet

I.Right-of-use assets

	Land	Buildings	Machinery and equipment	Transportation equipment	Total
<u>Cost:</u>					
As of 1/1/2022	\$-	\$-	\$-	\$-	\$-
Addition	-	330,605	-	-	330,605
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
As of 12/31/2022	<u>\$-</u>	<u>\$330,605</u>	<u>\$-</u>	<u>\$-</u>	<u>\$330,605</u>
As of 1/1/2021	\$-	\$145,884	\$17,793	\$2,490	\$166,167
Addition	-	26	-	-	26
Disposals	-	(145,910)	(17,793)	(2,490)	(166,193)
Transfer	-	-	-	-	-
As of 12/31/2021	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
<u>Depreciation and impairment:</u>					
As of 1/1/2022	\$-	\$-	\$-	\$-	\$-
Depreciation	-	66,121	-	-	66,121
Impairment loss	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
As of 12/31/2022	<u>\$-</u>	<u>\$66,121</u>	<u>\$-</u>	<u>\$-</u>	<u>\$66,121</u>
As of 1/1/2021	\$-	\$55,012	\$13,776	\$1,840	\$70,628
Depreciation	-	4,336	4,018	53	8,407
Impairment loss	-	-	-	-	-
Disposals	-	(59,348)	(17,794)	(1,893)	(79,035)
Transfer	-	-	-	-	-
As of 12/31/2021	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>



Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

Net carrying amount:

As of 12/31/2022	\$-	\$264,484	\$-	\$-	\$264,484
As of 12/31/2021	\$-	\$-	\$-	\$-	\$-

## II. Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities	\$265,533	\$-
Current	\$98,584	\$-
Non-current	\$166,949	\$-

Please refer to Note 6 (19)(d) for the interest on lease liabilities recognized during the year ended 31 December 2022 and 2021 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

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

	For the year ended December 31,	
	2022	2021
The expenses relating to short-term leases	\$(43,839)	\$(109,345)
The expenses relating to leases of low-value assets	-	(3)
Income from subleasing right-of-use assets	3,950	10,881

As of December 31, 2022 and 2021, the portfolio of short-term leases of the Company to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT\$0.

### c. Cash outflow relating to leasing activities

	For the year ended December 31,	
	2022	2021
Cash outflow relating to leases amount	\$111,254	\$117,843

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

Function Nature	2022			2021		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$903,651	\$521,158	\$1,424,809	\$883,932	\$535,329	\$1,419,261
Labor and health insurance	82,831	25,444	108,275	76,227	31,918	108,145
Pension	28,837	13,559	42,396	26,094	16,217	42,311
Directors' remuneration	-	23,338	23,338	-	19,381	19,381
Other employee benefits expense	44,886	34,707	79,593	39,216	33,104	72,320
Depreciation	839,106	21,321	860,427	580,225	23,001	603,226
Amortization	350	7,938	8,288	245	3,802	4,047

Note:

1. The average headcounts of the Company amounted to 1,775 and 1,867, respectively, as of December 31, 2022 and 2021. Among the Company's directors, there were 7 and 7, respectively, who were not the employees, as of December 31, 2022 and 2021.
2. Companies who have been listed on Taiwan Stock Exchange or Taiwan Over-The Counter Securities Exchange should disclose the following information:
  - (1) Average employee benefits of 2022 and 2021 are NT\$936 thousand and NT\$883 thousand respectively.
  - (2) Average salaries of 2022 and 2021 are NT\$806 thousand and NT\$763 thousand respectively.
  - (3) Changes in average salaries are 6%.
  - (4) In accordance with the regulations, the Company has established an audit committee to replace the supervisor, so the supervisor's remuneration has not been recognized.
  - (5) The salary and remuneration policy of the Company:  
Board of Directors and managers' salaries are referred to the industry standards, and the bonuses are allocated according to their performance, risk taking and level of contribution, etc. Employees' salaries are based on their academic background, professional knowledge, years of experience, and their KPI. Employees' annual salaries are also adjusted based on Company's condition to motivate and retain outstanding employees.

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

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

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$231,589 thousand and NT\$20,138 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$186,084 thousand and NT\$16,181 thousand, respectively, recognized as employee benefits.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$231,589 thousand and NT\$20,136 thousand, respectively. The NT\$2 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2022, 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\$186,084 thousand and NT\$16,179 thousand, respectively. The NT\$2 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2021, were recognized as gain or loss in the next year.

(19)Non-operating incomes and expenses

A.Interest income

	For the year ended December 31,	
	2022	2021
Interest income		
Deposit interest	\$4,584	\$1,762
Financial assets measured at amortized cost	1,774	1,667
Total	<u>\$6,358</u>	<u>\$3,429</u>

B.Other incomes

	For the year ended December 31,	
	2022	2021
Rent income	\$3,950	\$10,881
Government grants income	402	218
Other income - others	6,220	4,704
Total	<u>\$10,572</u>	<u>\$15,803</u>

C.Other gains and losses

	For the year ended December 31,	
	2022	2021
Gains (losses) from disposal of property, plant and equipment	\$180	\$447
Gains (losses) on financial assets at fair value through profit or loss	698	356
Gains (losses) on lease modification	-	690
Impairment loss on non-financial assets	(37,686)	(24,015)
Foreign exchange gains (losses), net	32,747	(7,172)
Other losses	(11)	(73)
Total	<u>\$(4,072)</u>	<u>\$(29,767)</u>

D. Finance costs

	For the year ended December 31,	
	2022	2021
Interests on borrowings from bank	\$16,471	\$3,101
Interest on lease liabilities	2,343	105
Total	\$18,814	\$3,206

(20) Components of other comprehensive income (loss)

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method	\$3,433	\$-	\$3,433	\$-	\$3,433

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method	\$(8,224)	\$-	\$(8,224)	\$-	\$(8,224)

(21)Income tax

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

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax expense	\$214,252	\$183,083
Adjustments in respect of current income tax of prior periods	436	(19,429)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	5,268	3,626
Total income tax expense (income)	<u>\$219,956</u>	<u>\$167,280</u>

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

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	<u>\$1,762,091</u>	<u>\$1,415,854</u>
Tax payable at the enacted tax rates	\$352,418	\$283,171
Tax effect of income tax-exempted	(20,720)	(3,774)
Tax effect of expenses not deductible for tax purposes	-	13
Tax effect of deferred tax assets/liabilities	24,634	25,574
Surtax on undistributed earnings	26,025	14,774
Adjustments in respect of current income tax of prior periods	436	(19,429)
Other adjustments according to the Tax Law	<u>(162,837)</u>	<u>(133,049)</u>
Total income tax recognized in profit or loss	<u>\$219,956</u>	<u>\$167,280</u>

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

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

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2022
Temporary differences				
Unrealized loss on inventory valuation	\$11,557	\$2,494	\$-	\$14,051
Unrealized exchange loss (gain)	1,147	859	-	2,006
Share of profits or loss of subsidiaries, associates and joint ventures accounted for under equity method	(25,661)	(8,621)	-	(34,282)
Deferred tax income/ (expense)		<u>\$ (5,268)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$ (12,957)</u>			<u>\$ (18,225)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$12,704</u>			<u>\$16,057</u>
Deferred tax liabilities	<u>\$25,661</u>			<u>\$34,282</u>

For the year ended December 31, 2021

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

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

Reflected in balance sheet as follows:

Deferred tax assets	<u>\$14,035</u>	<u>\$12,704</u>
Deferred tax liabilities	<u>\$23,366</u>	<u>\$25,661</u>

D.Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$129,540 thousand and NT\$104,056 thousand, respectively.

E.The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of the Company have been approved up to the year of 2020.

(22)Earnings per share

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

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

A.Basic earnings per share

	For the year ended December 31,	
	2022	2021
Net income available to common shareholders of the parent	<u>\$1,542,135</u>	<u>\$1,248,574</u>
Weighted average number of common stocks outstanding (in thousand shares)	<u>70,000</u>	<u>70,000</u>
Basic earnings per share (in NT\$)	<u>\$22.03</u>	<u>\$17.84</u>



B. Diluted earnings per share

	For the year ended December 31,	
	2022	2021
Net income available to common shareholders of the parent	\$1,542,135	\$1,248,574
Net income available to common shareholders of the parent after dilution	\$1,542,135	\$1,248,574
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	602	470
Weighted average number of common stocks outstanding after dilution (in thousand shares)	70,602	70,470
Diluted earnings per share (in NT\$)	\$21.84	\$17.72

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

7. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

Related parties	Relationship
Pegatron Corporation	Ultimate parent company
Pegavision Japan Inc.	Subsidiary
Pegavision (Jiangsu) Limited	Subsidiary
BeautyTech Platform Corporation	Subsidiary
FacialBeau International Corporation	Subsidiary
Pegavision Contact Lenses (Shanghai) Corporation	Subsidiary
Aquamax Vision Corporation	Subsidiary

Gemvision Technology (Zhejiang) Limited	Subsidiary
Pegatron Czech S.R.O.	Other related party

(2) Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2022	2021
Pegavision Japan Inc.	\$2,591,603	\$1,850,825
Gemvision Technology (Zhejiang) Limited	287,764	211,692
BeautyTech Platform Corporation	262,481	411,064
Pegavision Contact Lenses (Shanghai) Corporation	-	40,036
Gemvision Technology (Jiangsu) Limited	3,918	-
FacialBeau International Corporation	40,822	-
Aquamax Vision Corporation	(10,356)	11,234
Total	<u>\$3,176,232</u>	<u>\$2,524,851</u>

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 were 90 days after monthly closing, 120 days after monthly closing, or 180 days after monthly closing.

B. Lease-related parties

a. Right-of-use assets

Related parties	Nature	As of December 31,	
		2022	2021
Pegatron Corporation	Buildings	<u>\$264,484</u>	<u>\$-</u>

b. Lease liabilities

Related parties	As of December 31,	
	2022	2021
Pegatron Corporation	<u>\$265,533</u>	<u>\$-</u>

c. Lease payments (Rental expense)

Related parties	Nature	For the year ended December 31,	
		2022	2021
Pegatron Corporation	Buildings	\$33,945	\$100,846

d. Interest expenses

Related parties	For the year ended December 31,	
	2022	2021
Pegatron Corporation	\$2,343	\$-

C. Other revenue – provide services

Related parties	For the year ended December 31,	
	2022	2021
BeautyTech Platform Corporation	\$4,445	\$114,380

D. Rental income

Related parties	Rental period	Rental subject	Payment term	For the year ended December 31,	
				2022	2021
BeautyTech Platform Corporation	2021.06.01~ 2022.05.31	No. 255, Sec. 2, Renhe Rd., Daxi Dist., Taoyuan City 335005, Taiwan (R.O.C.)	4 thousand per month	\$28	\$48
BeautyTech Platform Corporation	2021.01.01~ 2021.12.31 2022.01.01~ 2022.12.31	Retail store	According to the lease contracts by each store	\$3,234	\$10,833

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

E.Other revenue

Related parties	For the year ended December 31,	
	2022	2021
BeautyTech Platform Corporation	\$-	\$3

F.Operating expense

Related parties	Nature	For the year ended December 31,	
		2022	2021
Pegatron Corporation	Provide services	\$193	\$331
Pegatron Corporation	Pay utilities	\$94,295	\$93,649
BeautyTech Platform Corporation	Advertisement expense	\$40,823	\$16,357
Pegavision (Jiangsu) Limited	Warehouse fees	\$15,115	\$2,456
Pegatron Czech S.R.O.	Provide services	\$205	\$94

G.Accounts receivable - related parties

	As of December 31,	
	2022	2021
Pegavision Japan Inc.	\$335,242	301,885
Gemvision Technology (Zhejiang) Limited	67,566	85,662
BeautyTech Platform Corporation	98,960	139,387
Aquamax Vision Corporation	-	11,250
Pegavision (Jiangsu) Limited	741	-
FacialBeau International Corporation	16,563	-
Less: loss allowance	-	-
Net	\$519,072	\$538,184

H.Other receivable

	As of December 31,	
	2022	2021
BeautyTech Platform Corporation	\$257	\$328

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

I. Refundable deposits

	As of December 31,	
	2022	2021
Pegatron Corporation	\$10,000	\$10,000

J. Contract liabilities

	As of December 31,	
	2022	2021
Pegavision Japan Inc.	\$210	\$18,222

K. Other payables

	As of December 31,	
	2022	2021
Pegatron Corporation	\$23,570	\$33,981
BeautyTech Platform Corporation	8,925	18,848
FacialBeau International Corporation	53	-
Pegavision Japan Inc.	17	34
Pegatron Czech S.R.O.	-	26
Total	\$32,565	\$52,889

L. Deposits Received

	As of December 31,	
	2022	2021
BeautyTech Platform Corporation	\$-	\$4

M. Key management personnel compensation

	For the year ended December 31,	
	2022	2021
Short-term employee benefits and post-employment benefits	\$43,394	\$17,548

## 8. PLEDGED ASSETS

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

Items	Carrying amount as of December 31,		Secured liabilities
	2022	2021	
Property, plant and equipment - machinery and equipment (carrying amount)	\$29,323	\$42,036	Secured borrowings
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	<u>\$31,323</u>	<u>\$44,036</u>	

## 9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2022, the Company's outstanding contracts relating to significant construction in progress and purchased property, plant and equipment were as follows:

Nature of Contract	Contract Amount	Amount Paid	Amount unpaid
Buildings	\$1,589,348	\$957,138	\$632,210
Machinery and equipment	14,000	11,200	2,800
Total	<u>\$1,603,348</u>	<u>\$968,338</u>	<u>\$635,010</u>

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

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT SUBSEQUENT EVENT

None.

## 12.OTHERS

### (1)Categories of financial instruments

#### Financial assets

	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$570,445	\$55,024
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	1,398,208	1,445,837
Accounts receivables	377,093	319,381
Accounts receivables – related party	519,072	538,184
Other receivables	4,411	5,348
Refundable deposits	46,221	46,763
Subtotal	2,345,005	2,355,513
Total	\$2,915,450	\$2,410,537

#### Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities measured at amortized cost:		
Short-term borrowings	\$284,467	\$444,866
Payables	1,418,839	1,842,561
Long-term borrowings (including current portion with maturity less than 1 year)	150,336	141,993
Lease liabilities	265,533	-
Total	\$2,119,175	\$2,429,420

### (2)Financial risk management objectives and policies

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

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

### (3)Market risk

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

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

#### Foreign currency risk

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

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

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

When NTD appreciates/depreciates against USD by 1%, the net income (loss) for the years ended 31 December 2022 and 2021 would decrease/increase by NT\$4,808 thousand and NT\$1,267 thousand, respectively.



When NTD appreciates/depreciates against CNY by 1%, the net income (loss) for the years ended 31 December 2022 and 2021 would decrease/increase by NT\$707usand and NT\$1,109 thousand, respectively.

#### Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2022 and 2021 would increase/decrease by NT\$19 housand and NT\$60 thousand, respectively.

#### (4)Credit risk management

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

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

As of December 31, 2022 and 2021, receivables from the top ten customers were accounted for 96.69% and 90.25% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

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

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

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

#### (5)Liquidity risk management

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

#### Non-derivative financial instruments

	<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 of December 31, 2022</u>							
Borrowings	\$293,116	\$21,651	\$32,714	\$31,493	\$29,824	\$35,327	\$444,125
Payables	1,418,839	-	-	-	-	-	1,418,839
Lease liabilities	101,121	101,121	67,413	-	-	-	269,655
<u>As of December 31, 2021</u>							
Borrowings	\$446,693	\$5,050	\$7,004	\$20,449	\$25,060	\$91,489	\$595,745
Payables	1,842,561	-	-	-	-	-	1,842,561

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	\$444,866	\$141,993	\$404	\$-	\$587,263
Cash flows	(160,399)	8,062	(4)	(67,415)	(219,756)
Non-cash changes					
Lease modification	-	-	-	330,605	330,605
Interest of lease liabilities	-	-	-	2,343	2,343
Other	-	281	-	-	281
As of December 31, 2022	<u>\$284,467</u>	<u>\$150,336</u>	<u>\$400</u>	<u>\$265,533</u>	<u>\$700,736</u>

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

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

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

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

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

**B. Fair value of financial instruments measured at amortized cost**

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

**C. Fair value measurement hierarchy for financial instruments**

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

**(8) Fair value measurement hierarchy**

**A. Fair value measurement hierarchy**

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Money market fund	\$570,445	\$-	\$-	\$570,445
<u>Financial liabilities:</u>				
None				

As of December 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	\$55,024	\$-	\$-	\$55,024
<u>Financial liabilities:</u>				
None				

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurement.

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

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

	As of December 31,					
	2022			2021		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	<u>\$27,523</u>	30.718	<u>\$845,431</u>	<u>\$23,804</u>	27.683	<u>\$658,980</u>
CNY	<u>\$19,027</u>	4.411	<u>\$83,919</u>	<u>\$25,552</u>	4.342	<u>\$110,944</u>
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$11,871</u>	30.718	<u>\$364,637</u>	<u>\$19,226</u>	27.683	<u>\$532,236</u>
CNY	<u>\$3,000</u>	4.411	<u>\$13,232</u>	<u>\$-</u>		<u>\$-</u>
<u>Foreign currency resulting in exchange gain or loss</u>						
USD			<u>\$34,199</u>			<u>\$(3,560)</u>
CNY			<u>\$1,241</u>			<u>\$1,523</u>
Other			<u>\$(2,693)</u>			<u>\$(5,135)</u>

(10) Capital management

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

### 13. ADDITIONAL DISCLOSURES

#### (1) Information on significant transactions

A. Financing provided to others: None.

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

C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 3.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 5.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: Please refer to attachment 6.

I. Derivative instrument transactions: None.

#### (2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 7.

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

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 8.

d. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

e. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 9.

f. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

g. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 10.

h. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

i. Derivative instrument transactions: None.



Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

(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	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Pegavision (Jiangsu) Limited	Producing and selling medical equipment	\$85,620 (USD 3,000)	(1)	\$85,620	\$-	\$-	\$85,620	\$(2,618) (note 5 and 6)	100%	\$(2,618) (note 5 and 6)	\$79,045 (note 5 and 6)	\$-	\$85,620	\$85,620	\$3,891,439
BeautyTech Platform (Shanghai) Corporation	Selling medical equipment and cosmetic products	\$14,885 (USD 500)	(3) (note 2)	\$-	\$14,885	\$-	\$14,885	\$14,507 (note 5 and 6)	85%	\$12,331 (note 5 and 6)	\$24,867 (note 5 and 6)	\$-	\$14,885	\$14,885	\$156,246

Pegavision Corporation  
Notes to Parent-Company-Only Financial Statements (Continued)

Pegavision Contact Lenses (Shanghai) Corporation	selling medical equipment	\$112,559 (USD 3,600)	(3) (note 3)	\$112,559	\$-	\$-	\$112,559	\$(16,831) (note 5 and 6)	85%	\$(16,740) (note 5 and 6)	\$79,135 (note 5 and 6)	\$-	\$95,043	\$95,043	\$156,246
Gemvision Technology (Zhejiang) Limited	selling medical equipment	\$97,031 (RMB 22,000) (note 5)	(3) (note 4)	\$-	\$-	\$-	\$-	\$(2,403) (note 5 and 6)	85%	\$(2,928) (note 5 and 6)	\$69,462 (note 5 and 6)	\$-	\$-	\$-	

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.

Note2: 100% Shares of BeautyTech Platform (Shanghai) Corporation owned and directly invested by BeautyTech Platform Corporation.

Note3: To improve the synergy of the Group, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to BeautyTech Platform Corporation from the Company.

Note 4: 100% Shares of Gemvision Technology (Zhejiang) Limited owned and directly invested by Pegavision Contact Lenses (Shanghai) Corporation.

Note 5: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

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

B. Significant transactions with investees in China.

a. Purchase and balances of related accounts payable as of December 31, 2022: None.

b. Sales and the balance of related accounts receivable and their weightings as of December 31 2022:

	Operating revenue		Accounts receivable	
	Amount	% to Net Sales	Amount	% to Account Balance
Gemvision Technology (Zhejiang) Limited	\$287,764	5.14%	\$67,566	7.54%
Pegavision (Jiangsu) Limited	3,918	0.07%	741	0.08%

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

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

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

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

f. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered:

Services provided by	Amount
Pegavision Contact Lenses (Shanghai) Corporation	\$80
Pegavision (Jiangsu) Limited	15,115

(4)Information on major shareholders

Major shareholders \ Shares	Shares	%
Kinsus Investment Co., Ltd.	21,233,736	30.33%
Asuspover Investment Co., Ltd.	5,480,121	7.82%
Asustek Investment Co., Ltd.	4,934,434	7.04%

14.SEGMENT INFORMATION

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

Pegavision Corporation  
Endorsement/Guarantee Provided to Others  
For the Year Ended December 31, 2022

Attachment 1

( In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement /Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Nature of Relationship										
-	-	-	-	-	\$-	\$-	\$-	\$-	-%	-	-	-	-

Note 1: Pegavision Corporation is coded "0".  
Note 2: The endorsement and guaranteed amount of the Company is NT\$2,000 thousand.

Pegavision Corporation

Marketable Securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures)

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial Statement  Account	Ending Balance				
				Shares/Units	Carrying Amount	Shareholding (%)	Fair Value	Note
Pegavision Corporation	Money Market Funds:							
	Yuanta Wan-Tai Money Market Fund	-	Financial assets at fair value through profit or loss	17,190,427	\$264,000	-	\$264,208	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	18,482,095	306,000	-	306,237	
	Add: Valuation Adjustment				<u>445</u>		<u>          </u>	
	Total				<u><u>\$570,445</u></u>		<u><u>\$570,445</u></u>	

Pegavision Corporation

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

For the Year ended December 31, 2022

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Pegavision Corporation	Money Market Funds: Yuanta Wan-Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$-	17,190,427	\$264,000	-	\$-	\$-	\$-	17,190,427	\$264,000
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$-	50,106,478	\$828,300	31,624,383	\$522,451	\$522,300	\$151	18,482,095	\$306,000
	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,556,527	\$55,012	15,300,101	\$237,000	18,856,628	\$292,123	\$292,012	\$111	-	\$-

Pegavision Corporation

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

As of December 31, 2022

Attachment 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Pegavision Corporation	Right-of-use assets  -Buildings	2022.4.25	<u>\$330,604</u>	By Contract	Pegatron Corporation	Ultimate parent  company	Pegatron  Corporation	Ultimate parent  company	Renew the  tenancy	None	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None

Note: Transaction date means the date of agreement, date of contract signing, date of payment, date of resolution of the board of directors or a committee established by it, or other date that can

confirm the counter-party and monetary amount of the transaction, whichever date is earlier.



Pegavision Corporation

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

For the Year ended December 31, 2022

Attachment 5

(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	\$2,591,603	46.25%	90 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$335,242	37.41%	
									Contract liability \$(210)	1.98%	
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	Sales	\$287,764	5.14%	Within 180 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$67,566	7.54%	
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	Sales	\$262,481	4.68%	Within 120 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$98,960	11.04%	

Pegavision Corporation

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

As of December 31, 2022

Attachment 6

(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	\$335,242	8.14	\$-	-	\$45,575	\$-

Pegavision Corporation

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

As of December 31, 2022

Attachment 7

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value			
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	<u>JPY 9,900</u>	<u>JPY 9,900</u>	198 shares	100.00%	<u>\$94,156</u>	<u>\$35,608</u>	<u>\$35,608</u>	
Pegavision Corporation	Mayin Investment Co. , Ltd.	Taiwan	Investing activities	<u>NTD 246,003</u>	<u>NTD 120,003</u>	21,000,000 shares	100.00%	<u>\$383,590</u>	<u>\$102,903</u>	<u>\$102,903</u>	
Mayin Investment Co. , Ltd.	BeautyTech Platform Corporation	Taiwan	Selling medical equipment and cosmetic products	<u>NTD 107,500</u>	<u>NTD 40,000</u>	8,500,000 shares	85.00%	<u>\$221,349</u>	<u>\$114,108</u>	<u>\$107,629</u>	
Mayin Investment Co. , Ltd.	FacialBeau International Corporation	Taiwan	Selling medical equipment and cosmetic products	<u>NTD 27,500</u>	<u>NTD 27,500</u>	2,750,000 shares	55.00%	<u>\$25,576</u>	<u>\$(3,481)</u>	<u>\$(1,915)</u>	
BeautyTech Platform Corporation	Aquamax Vision Corporation	USA	Selling medical equipment and cosmetic products	<u>-</u> (Note)	<u>USD 1,100</u>	-	-	<u>\$-</u> (Note)	<u>\$(6,344)</u>	<u>\$(6,206)</u>	
BeautyTech Platform Corporation	Beautytech Platform (Singapore) Pte. Ltd.	Singapore	Selling medical equipment and cosmetic products	<u>USD 200</u>	Not applicable	200,000 shares	100.00%	<u>\$6,221</u>	<u>\$(46)</u>	<u>\$(46)</u>	
FacialBeau International Corporation	Aquamax Vision Corporation	USA	Selling medical equipment and cosmetic products	<u>USD 1,100</u>	<u>-</u> (Note)	11,000,000 shares	100.00%	<u>\$6,895</u> (Note)	<u>\$(6,344)</u>	<u>\$(138)</u>	
FacialBeau International Corporation	RODNA Co., Ltd.	Korea	Selling medical equipment and cosmetic products	<u>KRW 100,000</u>	Not applicable	-	100.00%	<u>\$2,345</u>	<u>\$(87)</u>	<u>\$(87)</u>	

Note: To improve the synergy of the Group, the equity of Aquamax Vision Corporation was transferred to FacialBeau International Corporation from BeautyTech Platform Corporation.

# Pegavision Corporation

Marketable Securities Held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures)

Attachment 8

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2022			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
Mayin Investment Co. , Ltd.	Money market funds:							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	392,329	5,000		5,001	
BeautyTech Platform Corporation	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	2,958,590	49,000		49,022	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	2,733,974	42,000		42,020	
	Add: Valuation Adjustment				43			
	Total				<u>\$96,043</u>		<u>\$96,043</u>	

Pegavision Corporation

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

As of December 31, 2022

Attachment 9

(In Thousands of Foreign Currency / New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Mayin Investment Co. , Ltd.	Land	2022.3.1	\$194,800	By Contract	Natural person	None	None	None	None	None	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None
	Buildings	2022..3.1	80,020	By Contract	Zhongmao Co. , Ltd.	None	None	None	None	None	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None
	Total		<u>\$274,820</u>										

Note: Transaction date means the date of agreement, date of contract signing, date of payment, date of resolution of the board of directors or a committee established by it, or other date that can confirm the counter-party and monetary amount of the transaction, whichever date is earlier.

Pegavision Corporation

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

For the Year ended December 31, 2022

Attachment 10

(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	\$2,591,603	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$335,032	100.00%	
Gemvision Technology (Zhejiang) Limited	Pegavision Corporation	Subsidiary	Purchase	\$287,764	94.82%	Within 180 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$67,566	98.79%	
BeautyTech Platform Corporation	Pegavision Corporation	Subsidiary	Purchase	\$262,481	80.61%	Within 120 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$98,960	90.89%	

Pegavision Corporation

1. Statement of Cash and Cash Equivalents

As of December 31, 2022

(In Thousands of New Taiwan Dollars and foreign currencies)

Item	Description	Amount	Note
Cash and petty cash:		<u>\$1,474</u>	1.Cash and Cash equivalents were not pledged. 2.Exchange Rate USD 1=NTD 30.7175 CNY 1=NTD 4.41052 JPY 1=NTD 0.23249 3.The amount of bank account included in others does not exceed 5% of the account balance.
Checkings and savings:			
Shanghai Commercial & Savings Bank — Zhongli Branch	Demand deposits	26,591	
Shanghai Commercial & Savings Bank — Zhongli Branch	Check deposit	9,732	
Shanghai Commercial & Savings Bank — Zhongli Branch	Foreign currency deposit	12,843	USD 304 、CNY 784 、JPY225
Mega International Commercial Bank — Lanya Branch	Demand deposits	8,213	
Mega International Commercial Bank — Lanya Branch	Foreign currency deposit	24,738	USD 639 、CNY 191 、JPY 18,363
Taipeifubon Commercial Bank — Anhe Branch	Foreign currency deposit	8,136	USD 265
Others		<u>6,444</u>	
Subtotal		<u>96,697</u>	
Time deposits:			
Shanghai Commercial & Savings Bank — Zhongli Branch	Fixed-term deposits	154,000	
Shanghai Commercial & Savings Bank — Zhongli Branch	Foreign currency fixed-term deposits	107,511	USD 3,500
Bank SinoPac — Taipei Branch	Fixed-term deposits	27,000	
Chang Hwa Commercial Bank — Beitou Branch	Fixed-term deposits	<u>1,013,000</u>	
Subtotal		<u>1,301,511</u>	
Total		<u><u>\$1,399,682</u></u>	

Pegavision Corporation

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

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

	Shares/Units	Par Value	Amount	Interest Rate	Acquisition Cost	Fair Value		Note
						Unit Price	Amount	
Money Market Funds:								
Yuanta De-Li Money Market Fund	18,482,095	-	\$306,000	-	\$306,000	\$16.569	\$306,237	Note
Yuanta Wan-Tai Money Market Fund	17,190,427	-	264,000	-	264,000	\$15.370	264,208	Note
Add: Valuation Adjustment					445			
Total					<u>\$570,445</u>			

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



Pegavision Corporation

3. Statetment of Accounts Receivable, net

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	\$117,319	1.The amount of individual client included in others does not exced 5% of the account balance.
Client B	98,600	
Client C	83,961	2. Non related parties.
Client D	29,491	
Client E	25,353	
Others	<u>29,790</u>	
Subtotal	384,514	
Less: loss allowance	<u>(7,421)</u>	
Net	<u><u>\$377,093</u></u>	

Pegavision Corporation

4. Statement of Inventories, net

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$118,914	\$118,914	1. Inventories were not pledged.
Supplies	8,729	8,729	2. Inventories are valued at lower of
Work in progress	185,266	185,266	cost or net realizable value item by
Finished goods	222,144	236,326	item.
Subtotal	535,053	\$549,235	3. The insurance coverage for
Less: allowance for inventory valuation losses	(129,108)		inventories was NT\$716,968
Net	\$405,945		thousand as of December 31, 2022.

Pegavision Corporation

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

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2022		Additions		Decrease		As of December 31, 2022			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
Pegavision Japan Inc.	198	\$59,801	-	\$34,355 (Note1)	-	\$-	198	100.00%	\$94,156	\$476	\$94,156	None	
Pegavision Contact Lenses (Shanghai) Corporation	-	108,184	-	-	-	(108,184) (Note2)	-	-	-	-	-	None	
Unrealized profit		(60,182)		60,182		-			-		-		
Subtotal		48,002		60,182		(108,184)			-		-		
Mayin Investment Co., Ltd.	12,000,000	164,344	9,000,000	219,246 (Not3)	-	-	21,000,000	100.00%	383,590	0.01827	383,590	None	
Unrealized profit		(70,724)		-		(29,368)			(100,092)		(100,092)		
Subtotal		93,620		219,246		(29,368)			283,498		283,498		
Pegavision (Jiangsu) Limited	-	80,387	-	-	-	(1,342) (Note4)	-	100.00%	79,045	-	79,045	None	
Total		<u>\$281,810</u>		<u>\$313,783</u>		<u>\$(138,894)</u>			<u>\$456,699</u>		<u>\$456,699</u>		

Note1: Including investment gain recognized under equity method amounted to NT\$35,608 thousand and foreign currency statements translation adjustments amounted to NT\$(1,253) thousand.

Note2: Including investment loss recognized under equity method amounted to NT\$16,223 thousand and foreign currency statements translation adjustments amounted to NT\$3,082 thousand. For the consideration of reorganization, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to BeautyTech Platform Corporation from the Company.

Note3: Including the investment by cash NT\$126,000 thousand, difference between consideration given and carrying amount of inrerests in subsidiaries acquired NT\$(12,584) thousand, and investment gain recognized under equity method amounted to NT\$102,903 thousand and foreign currency statements translation adjustments amounted to NT\$2,927 thousand.

Note4: Including investment loss recognized under equity method amounted to NT\$2,618 thousand and foreign currency statements translation adjustments amounted to NT\$1,276 thousand.

Pegavision Corporation

6. Statement of Short-term Borrowing

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Description	Type	As of December 31, 2022	Contract Period	Interest Rates	Collateral	Note
Mega Bank - Lan-Ya Branch	Credit loans	\$25,496	2022/12/05-2023/02/24	Note	None	
Mega Bank - Lan-Ya Branch	Credit loans	4,300	2022/12/23-2023/02/15	Note	None	
Mega Bank - Lan-Ya Branch	Credit loans	54,063	2022/12/23-2023/02/15	Note	None	
Mega Bank - Lan-Ya Branch	Credit loans	82,937	2022/12/23-2023/03/23	Note	None	
Mega Bank - Lan-Ya Branch	Credit loans	104,440	2022/12/23-2023/02/28	Note	None	
Taipei Fubon Bank – AnHe Branch	Credit loans	13,231	2022/10/21-2023/03/31	Note	None	
Total		<u>\$284,467</u>				

Note: As of December 31, 2022, the interest rate intervals for short-term loans were 3.04%~5.63%.

Pegavision Corporation

7. Statement of Accounts Payable

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Vendor A	\$39,645	1.The amount of individual vendor incluluded in others does not exceed 5% of the account balance.
Vendor B	29,351	
Vendor C	17,824	2.Non related parties.
Vendor D	16,586	
Vendor E	16,127	
Vendor F	10,136	
Others	54,979	
Total	\$184,648	

Pegavision Corporation

8. Statement of Other Payables

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Accrued Payroll	\$355,366	
Accrued Professional Service Fees	200,966	
Accrued Employees' Compensation	231,589	
Compensation Payable to Directors	20,888	
Accrued Interest Payable	478	
Payables to Equipment suppliers	118,972	
Others	302,491	The amount of individual vendor included in others does not exceed 5% of the account balance.
Total	\$1,230,750	
Payables to Equipment suppliers		
Vendor G	\$45,402	
Vendor H	17,287	
Vendor I	8,800	
Vendor J	8,699	
Others	38,784	The amount of individual vendor included in others does not exceed 5% of the account balance.
Total	\$118,972	

Pegavision Corporation

9. Statement of Changes in Current Tax Liabilities

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Balance as of January 1, 2022	\$99,171	
Add: Income tax accrual for 2022	214,252	
Less : Interim temporary tax payment	(152,917)	
Interest income withholding tax	(181)	
Income tax payment for 2021	(94,241)	
Adjustments in respect of current income tax of prior periods	436	
Balance as of December 31, 2022	<u>\$66,520</u>	

Pegavision Corporation

10. Statement of Operating Revenue

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Quantity (note)	Amount	Note
Operating revenue			
Contact lens	57,949,451	\$5,586,913	Quantity unit is box if sales unit is box.
Others		<u>16,449</u>	
Total operating revenue		<u><u>\$5,603,362</u></u>	



Pegavision Corporation  
11. Statement of Operating Costs  
For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Direct Materials		
Beginning balance	109,871	
Add: Raw materials purchased	647,819	
Less: Ending balance	(118,914)	
Raw materials sold directly	(154)	
Raw materials scrapped	(1,208)	
Loss from physical taking	(1)	
Transferred to other accounts	(26,844)	
Direct materials used	610,569	
Supplies and parts		
Beginning balance	5,223	
Add: Supplies and parts purchased	57,604	
Transferred to other accounts	7,978	
Less: Ending balance	(8,729)	
Supplies and parts sold directly	(180)	
Transferred to other accounts	(1,919)	
Supplies and parts used	59,977	
Direct labor	1,030,922	
Manufacturing overhead (Detailed list 12)	1,356,678	
Manufacturing cost	3,058,146	
Add: Work in process, beginning balance	247,503	
Less: Work in process, ending balance	(185,266)	
Work in process scrapped	(16,543)	
Transferred to other accounts	(54,365)	
Cost of finished goods	3,049,475	
Add: Finished goods, beginning balance	163,880	
Less: Finished goods, ending balance	(222,144)	
Finished goods scrapped	(9,677)	
Transferred to other accounts	(7,579)	
Cost of goods sold	2,973,955	
Cost of inventory sold directly	334	
Loss from inventory valuation	16,672	
Loss from inventory scrapped	27,428	
Loss from inventory physical taking	1	
Revenue from sale of scraps	(46,462)	
Total	\$2,971,928	

Pegavision Corporation

12. Statement of Manufacturing Overhead

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Rent expense	\$35,859	
Repair and maintenance	106,959	
Utilities	214,177	
Depreciation	839,106	
Amortization	350	
Meal expense	36,948	
Consumable materials and tools	56,215	
Profesional service expense	2,683	
Miscellaneous purchase	7,959	
Others	<u>56,422</u>	
Total	<u><u>\$1,356,678</u></u>	

Pegavision Corporation

13. Statement of Selling Expenses

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	\$53,594	
Rent expense	345	
Travelling	2,196	
Shipping	8,788	
Advertisement expense	40,673	
Insurance expense	4,935	
Depreciation	2,859	
Amortisation	261	
Meal expense	497	
Royalty	3,202	
Import and export fee	19,123	
Professional service expense	3,697	
Others	<u>4,007</u>	
Total	<u><u>\$144,177</u></u>	

Pegavision Corporation

14. Statement of Administrative Expenses

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	\$171,495	
Rent expense	6,331	
Insurance expense	16,519	
Depreciation	8,454	
Amortization	6,486	
Meal expense	1,199	
Employee welfare	27,013	
Internet service expense	4,484	
Miscellaneous purchase	3,583	
Professional service expense	31,116	
Factory cleaning expense	7,823	
Government fees	6,783	
Others	<u>32,470</u>	
Total	<u><u>\$323,756</u></u>	

Pegavision Corporation

15. Statement of Research and Development Expenses

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	\$334,991	
Rent expense	1,304	
Utilities	6,502	
Insurance expense	20,981	
Depreciation	10,008	
Amortization	1,191	
Meal expense	3,974	
Miscellaneous purchase	5,910	
Outsource testing	77,048	
Materials utilized for testing	45,830	
Professional service expense	23,394	
Government fees	8,026	
Others	12,313	
Total	<u>\$551,472</u>	

Pegavision Corporation  
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