

**Ticker: 6491**

**PEGAVISION CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REVIEW REPORT OF INDEPENDENT AUDITORS  
AS OF MARCH 31, 2022 AND 2021  
AND FOR THE THREE-MONTH PERIODS THEN ENDED**

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

**Consolidated Financial Statements**  
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## REVIEW REPORT OF INDEPENDENT AUDITORS

To : the Board of Directors and Shareholders of  
Pegavision Corporation

### Introduction

We have reviewed the accompanying consolidated balance sheets of Pegavision Corporation (the “Company”) and its subsidiaries as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at March 31, 2022 and 2021, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Cheng, Ching-Piao

/s/Kuo, Shao-Pin

Ernst & Young  
Taiwan, R.O.C.  
April 25<sup>th</sup>, 2022

Notice to Readers

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

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

Pegavision Corporation and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of March 31, 2022		As of December 31, 2021		As of March 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6(1)	\$1,998,809	23	\$1,848,965	21	\$1,793,655	27
1110	Financial assets at fair value through profit or loss	6(2)	139,077	2	67,028	1	155,977	2
1170	Accounts receivable, net	6(3), 6(11),7	637,539	7	627,333	7	457,803	7
1200	Other receivables		17,205	-	6,708	-	9,774	-
1220	Current tax assets		1,618	-	1,558	-	-	-
1310	Inventories, net	6(4)	631,914	7	573,774	7	392,144	6
1410	Prepayments		67,813	1	73,409	1	62,434	1
1470	Other current assets		41,227	-	63,795	1	51,839	1
11xx	Total current assets		<u>3,535,202</u>	<u>40</u>	<u>3,262,570</u>	<u>38</u>	<u>2,923,626</u>	<u>44</u>
15xx	Non-current assets							
1600	Property, plant and equipment, net	6(5), 8, 9	4,936,968	55	4,915,392	57	3,123,791	47
1755	Right-of-use assets, net	6(16), 7	149,397	2	157,658	2	112,594	2
1780	Intangible assets, net	6(6)	14,158	-	14,082	-	5,949	-
1840	Deferred tax assets	4, 6(20)	18,761	-	13,305	-	14,656	-
1900	Other non-current assets	6(5), 6(7), 7, 8	228,660	3	201,909	3	432,847	7
15xx	Total non-current assets		<u>5,347,944</u>	<u>60</u>	<u>5,302,346</u>	<u>62</u>	<u>3,689,837</u>	<u>56</u>
1xxx	Total Assets		<u>\$8,883,146</u>	<u>100</u>	<u>\$8,564,916</u>	<u>100</u>	<u>\$6,613,463</u>	<u>100</u>

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

Pegavision Corporation and Subsidiaries

Consolidated Balance Sheets (Continued)

As of March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of March 31, 2022		As of December 31, 2021		As of March 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term borrowings	6(8)	\$662,383	7	\$444,866	5	\$306,439	5
2130	Contract liabilities	6(14), 7	69,912	1	64,227	1	104,794	2
2150	Notes payable		940	-	2,316	-	1,107	-
2170	Accounts payable		199,801	2	200,420	2	140,835	2
2200	Other payables	6(9), 7	2,034,034	23	1,736,420	20	1,198,741	18
2230	Current tax liabilities	4, 6(20)	177,586	3	122,480	2	98,343	1
2280	Lease liabilities	6(16), 7	51,917	1	52,396	1	42,413	1
2300	Other current liabilities	6(10), 6(11), 8	125,737	1	155,304	2	143,446	2
21xx	Total current liabilities		3,322,310	38	2,778,429	33	2,036,118	31
25xx	Non-current liabilities							
2540	Non-current portion of long-term borrowings	6(11), 8	144,162	2	141,993	2	14,723	-
2570	Deferred tax liabilities	4, 6(20)	33,704	-	25,661	-	24,977	-
2580	Lease liabilities	6(16), 7	102,657	1	109,107	1	70,354	1
2645	Guarantee deposits received		942	-	515	-	746	-
2670	Other non-current liabilities	6(10)	715	-	784	-	218	-
25xx	Total non-current liabilities		282,180	3	278,060	3	111,018	1
2xxx	Total liabilities		3,604,490	41	3,056,489	36	2,147,136	32
3100	Capital	6(13)						
3110	Common stock		700,000	8	700,000	8	700,000	11
3200	Capital surplus	6(13)	1,804,931	20	1,804,931	21	1,804,928	27
3300	Retained earnings	6(13)						
3310	Legal reserve		242,715	3	242,715	3	171,179	3
3320	Special reserve		8,143	-	8,143	-	9,795	-
3350	Unappropriated retained earnings		2,511,607	28	2,746,643	32	1,792,550	27
3400	Other equity interest		(9,950)	-	(16,367)	-	(12,125)	-
36xx	Non-controlling interests		21,210	-	22,362	-	-	-
3xxx	Total equity		5,278,656	59	5,508,427	64	4,466,327	68
	Total liabilities and equity		\$8,883,146	100	\$8,564,916	100	\$6,613,463	100

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

Pegavision Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Incomes  
For the three-month periods ended March 31, 2022 and 2021 (Reviewed but unaudited)  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	For the three-month period ended March 31,			
			2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	6(14)	\$1,488,385	100	\$1,145,797	100
5000	Operating costs	6(4), 7	(694,969)	(47)	(548,361)	(48)
5900	Gross profit		793,416	53	597,436	52
6000	Operating expenses	7				
6100	Selling expenses		(132,790)	(9)	(152,636)	(13)
6200	Administrative expenses		(93,578)	(6)	(58,505)	(5)
6300	Research and development expenses		(147,488)	(10)	(122,975)	(11)
6450	Expected credit gains (losses)	6(15)	(1,709)	-	1,954	-
	Operating expenses total		(375,565)	(25)	(332,162)	(29)
6900	Operating income		417,851	28	265,274	23
7000	Non-operating income and expenses	6(18)				
7100	Interest income		1,249	-	1,097	-
7010	Other income		3,364	-	838	-
7020	Other gains or losses		1,892	-	(6,682)	-
7050	Finance costs	7	(1,688)	-	(825)	-
	Total non-operating incomes and expenses		4,817	-	(5,572)	-
7900	Income from continuing operations before income tax		422,668	28	259,702	23
7950	Income tax	4, 6(20)	(63,856)	(4)	(35,108)	(3)
8200	Net income		358,812	24	224,594	20
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		6,417	-	(3,982)	(1)
	Total other comprehensive income, net of tax		6,417	-	(3,982)	(1)
8500	Total comprehensive income		\$365,229	24	\$220,612	19
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		\$359,964	24	\$224,594	20
8620	Non-controlling interests		(1,152)	-	-	-
			\$358,812	24	\$224,594	20
8700	Comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		\$366,381	24	\$220,612	19
8720	Non-controlling interests		(1,152)	-	-	-
			\$365,229	24	\$220,612	19
9750	Earnings per share-basic (in NTD)	6(21)	\$5.14		\$3.21	
9850	Earnings per share-diluted (in NTD)	6(21)	\$5.12		\$3.20	

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

Pegavision Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2022 and 2021 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent					Total	Non-controlling Interests	Total Equity	
		Capital	Capital Surplus	Retained Earnings						Other Equity interest
				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
B5	Appropriation and distribution of 2020 earnings Cash dividends-common share					(350,000)		(350,000)		(350,000)
D1	Net income for the three-month period ended March 31, 2021					224,594		224,594		224,594
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2021						(3,982)	(3,982)		(3,982)
D5	Total comprehensive income (loss)	-	-	-	-	224,594	(3,982)	220,612	-	220,612
Z1	Balance as of March 31, 2021	<u>\$700,000</u>	<u>\$1,804,928</u>	<u>\$171,179</u>	<u>\$9,795</u>	<u>\$1,792,550</u>	<u>\$(12,125)</u>	<u>\$4,466,327</u>	<u>\$-</u>	<u>\$4,466,327</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	\$22,362	\$5,508,427
B5	Appropriation and distribution of 2021 earnings Cash dividends-common share					(595,000)		(595,000)		(595,000)
D1	Net income for the three-month period ended March 31, 2022					359,964		359,964	(1,152)	358,812
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2022						6,417	6,417		6,417
D5	Total comprehensive income (loss)	-	-	-	-	359,964	6,417	366,381	(1,152)	365,229
Z1	Balance as of March 31, 2022	<u>\$700,000</u>	<u>\$1,804,931</u>	<u>\$242,715</u>	<u>\$8,143</u>	<u>\$2,511,607</u>	<u>\$(9,950)</u>	<u>\$5,257,446</u>	<u>\$21,210</u>	<u>\$5,278,656</u>

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



Pegavision Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the three-month periods ended March 31, 2022 and 2021 (Reviewed but unaudited)  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the three-month periods ended March 31,		Code	Items	For the three-month periods ended March 31,	
		2022	2021			2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income before income tax	\$422,668	\$259,702	B02700	Acquisition of property, plant and equipment	(527,644)	(266,267)
A20000	Adjustments:			B02800	Proceeds from disposal of property, plant and equipment	129	178
A20010	Profit or loss not effecting cash flows:			B03800	Decrease (increase) in refundable deposits	(237)	(3,168)
A20100	Depreciation (including right-of-use assets)	213,935	134,796	B04500	Acquisition of intangible assets	(1,736)	(461)
A20200	Amortization	1,720	808	B06800	Decrease (increase) in other non-current assets	(4)	-
A20300	Expected credit losses (gain)	1,709	(1,954)	BBBB	Net cash provided by (used in) investing activities	(529,492)	(269,718)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(49)	(207)				
A20900	Interest expense	1,688	825	CCCC	Cash flows from financing activities:		
A21200	Interest income	(1,249)	(1,097)	C00100	Increase in (repayment of) short-term borrowings	217,517	(61,451)
A22500	Loss (gain) on disposal of property, plant and equipment	(129)	(178)	C03000	Increase (decrease) in guarantee deposits received	427	101
A23700	Impairment loss on non-financial assets	9,034	-	C04020	Payments of lease liabilities	(14,155)	(11,424)
A29900	Gain on lease modification	-	(408)	CCCC	Net cash provided by (used in) financing activities	203,789	(72,774)
A29900	Gain on government grants	(69)	(16)	DDDD	Effect of exchange rate changes	6,887	(4,291)
A30000	Changes in operating assets and liabilities:						
A31115	Financial assets at fair value through profit or loss	(72,000)	410,999	EEEE	Increase (decrease) in cash and cash equivalents	149,844	547,654
A31150	Accounts receivable	(11,944)	118,867	E00100	Cash and cash equivalents at beginning of period	1,848,965	1,246,001
A31180	Other receivables	(10,545)	(6,011)	E00200	Cash and cash equivalents at end of period	\$1,998,809	\$1,793,655
A31200	Inventories	(58,140)	(2,739)				
A31230	Prepayments	5,596	(8,364)				
A31240	Other current assets	22,568	4,299				
A32125	Contract liabilities	5,685	24,532				
A32130	Notes payable	(1,376)	553				
A32150	Accounts payable	(619)	(3,255)				
A32180	Other payables	(23,694)	(4,832)				
A32230	Other current liabilities	(30,296)	(15,390)				
A33000	Cash generated from operations	474,493	910,930				
A33100	Interest received	1,297	1,014				
A33300	Interest paid	(990)	(486)				
A33500	Income tax paid	(6,140)	(17,021)				
AAAA	Net cash provided by (used in) operating activities	468,660	894,437				

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

## 1. HISTORY AND ORGANIZATION

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

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

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended March 31, 2022 and 2021 were authorized for issue by the Board of Directors on April 25th, 2022.

## 3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Group.

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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

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

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

(b)IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 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)Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

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

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to

help companies distinguish changes in accounting estimates from changes in accounting policies.

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

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

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

#### 4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

Except the following 4(3) ~ 4(4), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021. For more details, please refer to Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2021.

(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.

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

(3)Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2021. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2021.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%) As at			Note
			Mar 31, 2022	Dec 31, 2021	Mar 31, 2021	
The Company	Pegavision Japan Inc.	Selling medical equipment	100.00%	100.00%	100.00%	None
The Company	Pegavision (Jiangsu) Limited	Producing and Selling medical equipment	100.00%	100.00%	100.00%	None
The Company	Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	100.00%	100.00%	100.00%	None
The Company	BeautyTech Platform Corporation	Selling medical equipment	-%	-%	100.00%	Note 1
The Company	Mayin Investment Co., Ltd.	Investing activities	100.00%	100.00%	Not applicable	Note 1
Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	Selling medical equipment	100.00%	100.00%	100.00%	None
Mayin Investment Co., Ltd.	BeautyTech Platform Corporation	Selling medical equipment	100.00%	100.00%	Not applicable	Note 1

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

Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling cosmetic products	55.00%	55.00%	Not applicable	Note 1
BeautyTech Platform Corporation	Aquamax Vision Corporation	Selling medical equipment	100.00%	100.00%	100.00%	None
BeautyTech Platform Corporation	BeautyTech Platform (Shanghai) Corporation	Selling medical equipment	100.00%	Not applicable	Not applicable	Note 1
FacialBeau International Corporation	Pegavision (Jiangsu) Limited	Producing and Selling medical equipment	100.00%	Not applicable	Not applicable	Note 1
FacialBeau International Corporation	IKIDO Inc.	Producing and Selling cosmetic products	100.00%	Not applicable	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)The equity of BeautyTech Platform Corporation was transferred to Mayin Investment Co., Ltd. from the Company.
- (b)Mayin Investment Co., Ltd. which is 100% held by the Company was registered at August 19, 2021.
- (c)FacialBeau International Corporation which is 55% held by Mayin Investment Co., Ltd. was registered at October 22, 2021.
- (d)BeautyTech Platform (Shanghai) Corporation which is 100% held by BeautyTech Platform Corporation was registered at January 24, 2022. The investment amount has not been remitted as at March 31, 2022.
- (e)Pegavision (Jiangsu) Limited which is 100% held by FacialBeau International Corporation was registered at February 25, 2022. The investment amount has not been remitted as at March 31, 2022.

- (f) 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 March 31, 2022.

(4)Income tax

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

5.SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month period ended March 31, 2022 as those applied in the Company's consolidated financial statements for the year ended December 31, 2021. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2021.



Pegavision Corporation and Subsidiaries  
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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Cash and petty cash	\$4,083	\$4,149	\$2,878
Checkings and savings	611,280	380,408	631,755
Time deposit	1,383,446	1,464,408	1,159,022
Total	<u>\$1,998,809</u>	<u>\$1,848,965</u>	<u>\$1,793,655</u>

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

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Mandatorily measured at fair value through profit or loss:			
Money market fund	\$139,020	\$67,012	\$155,670
Valuation adjustment	57	16	307
Total	<u>\$139,077</u>	<u>\$67,028</u>	<u>\$155,977</u>
Current	\$139,077	\$67,028	\$155,977
Non-current	-	-	-
Total	<u>\$139,077</u>	<u>\$67,028</u>	<u>\$155,977</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 at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Accounts receivable, gross	\$654,248	\$642,304	\$461,765
Less: loss allowance	(16,709)	(14,971)	(3,962)
Total accounts receivable, net	<u>\$637,539</u>	<u>\$627,333</u>	<u>\$457,803</u>

Pegavision Corporation and Subsidiaries  
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B. receivable were not pledged.

C. Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is NT\$654,248 thousand, NT\$642,304 thousand and NT\$461,765 thousand as at March 31, 2022, December 31, 2021 and March 31, 2021, respectively. Please refer to Note 6 (15) for more details on loss allowance of accounts receivable for the three-month periods ended March 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(4) Inventory

A. Details of inventory:

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Merchandises	\$2,503	\$2,371	\$3,647
Raw materials	103,670	97,121	45,031
Supplies	6,977	4,875	3,362
Work in process	208,345	204,760	107,925
Finished goods	310,419	264,647	232,179
Total	<u>\$631,914</u>	<u>\$573,774</u>	<u>\$392,144</u>

B. For the three-month periods ended March 31, 2022 and 2021, the Group recognized NT\$694,969 thousand and NT\$548,361 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the three-month period ended March 31,	
	2022	2021
Loss (Gain) from inventory market decline	\$6,174	\$(19,987)
Loss from inventory write-off obsolescence	4,615	6,364
Total	<u>\$10,789</u>	<u>\$(13,623)</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.

Pegavision Corporation and Subsidiaries  
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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
<b>Cost:</b>								
As at 1/1/2022	\$1,317,564	\$69,345	\$4,755,399	\$1,505	\$78,435	\$875,893	\$823,483	\$7,921,624
Addition	-	-	-	-	-	-	255,442	255,442
Disposals	-	-	(7,673)	-	(747)	(11,361)	-	(19,781)
Transfer	-	-	79,784	218	1,753	62,671	(146,162)	(1,736)
Effect of EX rate	-	-	-	-	48	493	2,156	2,697
As at 3/31/2022	<u>\$1,317,564</u>	<u>\$69,345</u>	<u>\$4,827,510</u>	<u>\$1,723</u>	<u>\$79,489</u>	<u>\$927,696</u>	<u>\$934,919</u>	<u>\$8,158,246</u>
As at 1/1/2021	\$1,317,564	\$69,345	\$2,946,116	\$980	\$72,891	\$738,634	\$517,323	\$5,662,853
Addition	-	-	-	-	-	-	278,956	278,956
Disposals	-	-	(10,077)	-	-	-	-	(10,077)
Transfer	-	-	94,715	-	204	7,164	(102,544)	(461)
Effect of EX rate	-	-	-	-	(22)	(71)	1	(92)
As at 3/31/2021	<u>\$1,317,564</u>	<u>\$69,345</u>	<u>\$3,030,754</u>	<u>\$980</u>	<u>\$73,073</u>	<u>\$745,727</u>	<u>\$693,736</u>	<u>\$5,931,179</u>
<b>Depreciation and impairment:</b>								
As at 1/1/2022	\$-	\$27,309	\$2,227,640	\$876	\$68,438	\$548,624	\$-	\$2,872,887
Depreciation	-	778	168,964	51	2,497	26,695	-	198,985
Impairment loss	-	198	-	-	-	8,836	-	9,034
Disposal	-	-	(7,673)	-	(747)	(11,361)	-	(19,781)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	13	283	-	296
As at 3/31/2022	<u>\$-</u>	<u>\$28,285</u>	<u>\$2,388,931</u>	<u>\$927</u>	<u>70,201</u>	<u>\$573,077</u>	<u>\$-</u>	<u>\$3,061,421</u>
As at 1/1/2021	\$-	\$8,096	\$1,786,630	\$698	\$60,076	\$481,842	\$-	\$2,337,342
Depreciation	-	1,056	98,846	32	2,385	20,270	-	122,589

Pegavision Corporation and Subsidiaries  
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Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(10,077)	-	-	-	-	(10,077)
Transfer	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	(21)	(48)	-	(69)
As at 3/31/2021	\$-	\$9,152	\$1,875,399	\$730	\$62,440	\$502,064	\$-	\$2,449,785

Net carrying amount:

As at 3/31/2022	\$1,317,564	\$41,060	\$2,438,579	\$796	\$9,288	\$354,619	\$934,919	\$5,096,825
As at 12/31/2021	\$1,317,564	\$42,036	\$2,527,759	\$629	\$9,997	\$327,269	\$823,483	\$5,048,737
As at 3/31/2021	\$1,317,564	\$60,193	\$1,155,355	\$250	\$10,633	\$243,663	\$693,736	\$3,481,394

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

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Property, plant and equipment	\$4,936,968	\$4,915,392	\$3,123,791
Prepayment for equipment	159,857	133,345	357,603
Total	\$5,096,825	\$5,048,737	\$3,481,394

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

(6)Intangible assets

	Computer software
<u>Cost:</u>	
As at January 1, 2022	\$34,865
Additions – acquired separately	-
Transfer	1,736
Derecognized upon retirement	-
Effect of EX rate	72
As at March 31, 2022	\$36,673
As at January 1, 2021	\$22,776
Additions – acquired separately	-
Transfer	461
Derecognized upon retirement	-
As at March 31, 2021	\$23,237

Pegavision Corporation and Subsidiaries  
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Amortization and Impairment:

As at January 1, 2022	\$20,783
Amortization	1,720
Derecognized upon retirement	-
Effect of EX rate	12
As at March 31, 2022	<u>\$22,515</u>

As at January 1, 2021	\$16,480
Amortization	808
Derecognized upon retirement	-
As at March 31, 2021	<u>\$17,288</u>

Carrying amount, net:

As at March 31, 2022	<u>\$14,158</u>
As at December 31, 2021	<u>\$14,082</u>
As at March 31, 2021	<u>\$5,949</u>

Amounts of amortization recognized for intangible assets are as follows:

	<u>For the three-month period ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Manufacturing expense	\$72	\$61
Selling expense	220	141
Administrative expense	1,101	404
Research and development expense	327	202
Total	<u>\$1,720</u>	<u>\$808</u>

(7)Other non-current assets

	<u>As at</u>		
	<u>31 Mar. 2022</u>	<u>31 Dec. 2021</u>	<u>31 Mar. 2021</u>
Refundable deposits	\$68,803	\$68,564	\$75,244
Prepayment for equipment	159,857	133,345	357,603
Total	<u>\$228,660</u>	<u>\$201,909</u>	<u>\$432,847</u>

Pegavision Corporation and Subsidiaries  
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(8) Short-term borrowings

A. Details of Short-term borrowings

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Unsecured bank loans	\$662,383	\$444,866	\$306,439
Interest Rate (%)	0.704%~1.49%	0.58%~0.80%	0.63%~0.70%

B. The Group's unused short-term lines of credits amounts to NT\$545,530 thousand, NT\$731,964 and NT\$862,335 thousand, as at March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

(9) Other payable

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Accrued expenses	\$1,096,235	\$1,119,929	\$725,288
Accrued interest payable	524	278	285
Payable to equipment suppliers	342,275	616,213	123,168
Dividends payable	595,000	-	350,000
Total	\$2,034,034	\$1,736,420	\$1,198,741

(10) Other current liabilities

A. Details of other current liabilities

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Other current liabilities	\$25,322	\$42,044	\$29,417
Refund liability	99,405	112,979	113,964
Deferred government grants income	281	281	65
Long-term borrowings-current portion	729	-	-
Total	\$125,737	\$155,304	\$143,446

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B.The changes in the Group’s balances of deferred government grants income for the three-month periods ended March 31, 2022 and 2021 are as follows:

	For the three-month period ended March, 31	
	2022	2021
Beginning balance	\$1,065	\$299
Received during the period	-	-
Released to the statement of comprehensive income	(69)	(16)
Ending Balance	\$996	\$283
Current	\$281	\$65
Non-current	\$715	\$218

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 at			Repayment
			31 Mar. 2022	31 Dec. 2021	31 Mar. 2021	
Chang Hwa Commercial Bank - Beitou Branch	Credit loan	2020.03.25-2025.03.15	\$4,949	\$4,943	\$4,925	Notes 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2020.11.10-2030.10.15	9,851	9,839	9,798	Notes 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured loan	2021.04.08-2030.10.15	39,288	39,240	-	Notes 2
Mega International Commercial Bank – Lan-Ya Branch	Credit loan	2021.09.02-2028.09.02	85,875	83,049	-	Notes 3
Mega International Commercial Bank – Lan-Ya Branch	Secured loan	2021.10.08-2026.09.15	4,928	4,922	-	Notes 4

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Total	144,891	141,993	14,723
Less: current portion	(729)	-	-
Non-current portion	<u>\$144,162</u>	<u>\$141,993</u>	<u>\$14,723</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.As at March 31, 2022, December 31, 2021 and March 31, 2021, the interest rate intervals for long-term borrowings were 1.15%~1.50%, 0.90%~1.08% and 0.95%, respectively.

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

Expenses under the defined contribution plan for the three-month periods ended March 31, 2022 and 2021 were NT\$12,792 thousand and NT\$9,774 thousand, respectively.



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Pension for the three-month periods ended March 31, 2022 and 2021 were NT\$0 thousand and NT\$3 thousand, respectively.

(13)Equity

A.Common stock

As at March 31, 2022, December 31, 2021 and March 31, 2021, the Company's authorized capital were NT\$800,000 thousand, and paid-in capital were NT\$700,000 thousand, each share at par value of NT\$10, divided into 70,000 thousand shares. Each share has one voting right and a right to receive dividends.

B.Capital surplus

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Additional paid-in capital	\$1,804,928	\$1,804,928	\$1,804,928
Changes in equity of investment accounted for using equity method	3	3	-
Total	<u>\$1,804,931</u>	<u>\$1,804,931</u>	<u>\$1,804,928</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.

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

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

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Note: As stipulated in the Articles of Incorporation, a special resolution was passed at a Board of Directors meeting held on February 15th, 2022 to distribute the 2021 common stock dividend in cash.

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

D. Non-controlling interests

	For the three-month period ended March 31,	
	2022	2021
Beginning balance	\$22,362	\$-
Non-controlling interests increase/(decrease)	-	-
Net profit attributable to NCIs	(1,152)	-
Ending balance	\$21,210	\$-

(14) Operating revenue

	For the three-month period ended March 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	\$1,488,385	\$1,145,797

Analysis of revenue from contracts with customers for the three-month periods ended March 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the three-month period ended March 31,	
	2022	2021
	Single department	Single department
Sales of goods	\$1,488,385	\$1,145,797
The timing for revenue recognition:		
At a point in time	\$1,488,385	\$1,145,797

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B.Contract balances

a.Contract liabilities – current

	As of			
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021	1 Jan. 2021
Sales of goods	\$59,471	\$51,556	\$89,819	\$64,981
Customer loyalty programmes	10,441	12,671	14,975	15,281
Total	\$69,912	\$64,227	\$104,794	\$80,262

The changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2022 are as follows:

	Sales of goods	Customer loyalty programmes
The opening balance transferred to revenue	\$(50,873)	\$(12,671)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	58,788	10,441

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

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

(15)Expected credit gains (losses)

	For the three-month period ended March 31,	
	2022	2021
Operating expenses – Expected credit gains (losses)		
Accounts receivable	\$(1,709)	\$1,954

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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:

March 31, 2022

	Not past due	Past due		Total
		<=60 days	Separate assessment	
Gross carrying amount	\$621,917	\$18,993	\$13,338	\$654,248
Loss rate	0.51%	1%	100%	
Lifetime expected credit losses	(3,181)	(190)	(13,338)	(16,709)
Carrying amount of accounts receivable	\$618,736	\$18,803	\$-	\$637,539

December 31, 2021

	Not past due	Past due		Total
		<=60 days	Separate assessment	
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

March 31, 2021

	Not past due	Past due				Total
		<=60 days	61-90 days	91-240 days	>=241 days	
Gross carrying amount	\$457,044	\$4,721	\$-	\$-	\$-	\$461,765
Loss rate	0.86%	1%	0%	0%	0%	
Lifetime expected credit losses	(3,915)	(47)	-	-	-	(3,962)
Carrying amount of accounts receivable	\$453,129	\$4,674	\$-	\$-	\$-	\$457,803

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B.The movement in the provision for impairment of accounts receivable for the three-month periods ended March 31, 2022 and 2021 are as follows:

	<u>Accounts receivable</u>
As at January 1, 2022	\$14,971
Addition (reversal)	1,709
Effect of EX rate	29
As at March 31, 2022	<u>\$16,709</u>
As at January 1, 2021	\$5,917
Addition (reversal)	(1,954)
Effect of EX rate	(1)
As at March 31, 2021	<u>\$3,962</u>

(16)Leases

A.Group as a lessee

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

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

a.Amounts recognized in the consolidated balance sheet

I.Right-of-use assets

	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation</u>	<u>Total</u>
<u>Cost:</u>				
As at 1/1/2022	\$207,324	\$-	\$-	\$207,324
Addition	5,052	-	-	5,052
Disposals	-	-	-	-
Transfer	-	-	-	-
Effect of EX rate	2,236	-	-	2,236
As at 3/31/2022	<u>\$214,612</u>	<u>\$-</u>	<u>\$-</u>	<u>\$214,612</u>

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As at 1/1/2021	\$164,586	\$17,793	\$2,490	\$184,869
Addition	83,991	-	-	83,991
Disposals	(102,111)	-	(2,490)	(104,601)
Transfer	-	-	-	-
Effect of EX rate	(253)	-	-	(253)
As at 3/31/2021	<u>\$146,213</u>	<u>\$17,793</u>	<u>\$-</u>	<u>\$164,006</u>

Depreciation and impairment:

As at 1/1/2022	\$49,666	\$-	\$-	\$49,666
Depreciation	14,950	-	-	14,950
Impairment loss	-	-	-	-
Disposal	-	-	-	-
Transfer	-	-	-	-
Effect of EX rate	599	-	-	599
As at 3/31/2022	<u>\$65,215</u>	<u>\$-</u>	<u>\$-</u>	<u>\$65,215</u>

As at 1/1/2021	\$62,519	\$13,776	\$1,840	\$78,135
Depreciation	10,432	1,722	53	12,207
Impairment loss	-	-	-	-
Disposal	(36,873)	-	(1,893)	(38,766)
Transfer	-	-	-	-
Effect of EX rate	(164)	-	-	(164)
As at 3/31/2021	<u>\$35,914</u>	<u>\$15,498</u>	<u>\$-</u>	<u>\$51,412</u>

Net carrying amount:

As at 3/31/2022	<u>\$149,397</u>	<u>\$-</u>	<u>\$-</u>	<u>\$149,397</u>
As at 12/31/2021	<u>\$157,658</u>	<u>\$-</u>	<u>\$-</u>	<u>\$157,658</u>
As at 3/31/2021	<u>\$110,299</u>	<u>\$2,295</u>	<u>\$-</u>	<u>\$112,594</u>

II. Lease liabilities

	As at		
	<u>31 Mar. 2022</u>	<u>31 Dec. 2021</u>	<u>31 Mar. 2021</u>
Lease liabilities	<u>\$154,574</u>	<u>\$161,503</u>	<u>\$112,767</u>



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Current	<u>\$51,917</u>	<u>\$52,396</u>	<u>\$42,413</u>
Non-current	<u>\$102,657</u>	<u>\$109,107</u>	<u>\$70,354</u>

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

b. Income and costs relating to leasing activities

	<u>For the three-month period ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
The expense relating to short-term leases	\$(29,047)	\$(30,190)
The expense relating to leases of low-value assets	(463)	(729)
Income from subleasing right-of-use assets	-	212

As at March 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 three-month periods ended March 31, 2022 and 2021, the Group recognized NT\$238 thousand and NT\$0 thousand respectively 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

	<u>For the three-month period ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash outflow for leases	\$43,665	\$42,343

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

Nature	Function	For the three-month period ended March 31,					
		2022			2021		
		Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense							
Salaries		\$231,850	\$164,057	\$395,907	\$182,267	\$143,757	\$326,024
Labor and health insurance		21,428	8,311	29,739	16,536	8,287	24,823
Pension		7,711	5,081	12,792	5,080	4,697	9,777
Other employee benefit expense		10,617	13,039	23,656	8,401	6,458	14,859
Depreciation		192,323	21,612	213,935	118,388	16,408	134,796
Amortization		72	1,648	1,720	61	747	808

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

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

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the three-month periods ended March 31, 2022 amounted to NT\$54,338 thousand and NT\$4,725 thousand, respectively. The employees' compensation and remuneration to directors for the three-month periods ended March 31, 2021 amounted to NT\$33,715 thousand and NT\$2,932 thousand, respectively, recognized as employee benefits.

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,

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in a meeting held on February 15, 2022. The NT\$2 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2021, were recognized as gain or loss in the next year.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$107,316 thousand and NT\$9,328 thousand, respectively, in a meeting held on January 29, 2021. The NT\$4 thousand differences between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2020, were recognized as gain or loss in the next year.

(18) Non-operating incomes and expenses

A. Interest income

	For the three-month period ended March 31,	
	2022	2021
Interest income		
Deposit interest	\$718	\$758
Financial assets measured at amortized cost	531	339
Total	<u>\$1,249</u>	<u>\$1,097</u>

B. Other incomes

	For the three-month period ended March 31,	
	2022	2021
Rent income	\$-	\$212
Government grants income	69	16
Other income - others	3,295	610
Total	<u>\$3,364</u>	<u>\$838</u>

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C. Other gains and losses

	For the three-month period ended March 31,	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$129	\$178
Foreign exchange gain (loss), net	10,791	(7,403)
Gain (loss) on financial assets at fair value through profit or loss	49	207
Gain (loss) on lease modification	-	408
Impairment loss on non-financial assets	(9,034)	-
Other losses	(43)	(72)
<b>Total</b>	<b>\$1,892</b>	<b>\$(6,682)</b>

D. Finance costs

	For the three-month period ended March 31,	
	2022	2021
Interests on borrowings from bank	\$1,308	\$539
Interest on lease liabilities	380	286
<b>Total</b>	<b>\$1,688</b>	<b>\$825</b>

(19) Components of other comprehensive income (loss)

For the three-month periods ended March 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	\$6,417	\$-	\$6,417	\$-	\$6,417

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For the three-month periods ended March 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period: Exchange differences arising on translation of foreign operations	\$(3,982)	\$-	\$(3,982)	\$-	\$(3,982)

(20)Income tax

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

Income tax expense (benefit) recognized in profit or loss

	<u>For the three-month period ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense:		
Current income tax expense	\$61,084	\$38,221
Adjustments in respect of current income tax of prior periods	198	(4,669)
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	2,574	1,556
Total income tax expense	<u>\$63,856</u>	<u>\$35,108</u>

B.The assessment of income tax return

	<u>The assessment of income tax return</u>
The Company	Assessed and approved up to 2019.
Subsidiary - BeautyTech Platform Corporation	Assessed and approved up to 2020.

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Subsidiary - Mayin Investment Co., Ltd. The registration was completed at August 19, 2021. So there is no income tax declaration.  
Subsidiary-FacialBeau International Corporation The registration was completed at October 22, 2021. So there is no income tax declaration.

(21)Earnings per share

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

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

A.Basic earnings per share

	For the three-month period ended March 31,	
	2022	2021
Net income available to common shareholders of the parent	\$359,964	\$224,594
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000
Basic earnings per share (in NT\$)	\$5.14	\$3.21

B.Diluted earnings per share

	For the three-month period ended March 31,	
	2022	2021
Net income available to common shareholders of the parent	\$359,964	\$224,594
Net income available to common shareholders of the parent after dilution	\$359,964	\$224,594
Weighted average number of common stocks outstanding (in thousand shares)	70,000	70,000

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Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	335	228
Weighted average number of common stocks outstanding after dilution (in thousand shares)	70,335	70,228
Diluted earnings per share (in NT\$)	5.12	\$3.20

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

## 7. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

<u>Related parties</u>	<u>Relation</u>
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

(2) Significant transactions with related parties

A. Sales

<u>Related parties</u>	<u>For the three-month period ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Kinsus Interconnect Technology Corp.	\$57	\$-

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.

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B. Lease-related parties

a. Right-of-use assets

Related parties	Nature	As at		
		31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Pegatron Japan Inc.	Buildings	\$938	\$1,164	\$395

b. Lease liabilities

Related parties	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Pegatron Japan Inc.	\$940	\$1,165	\$401

c. Lease payment (Rental expense)

Related parties	Nature	For the three-month period ended March 31,	
		2022	2021
Pegatron Corporation	Buildings	\$25,212	\$25,212

d. Interest expenses

Related parties	For the three-month period ended March 31,	
	2022	2021
Pegatron Japan Inc.	\$2	\$2

C. Operating expense

Related parties	Nature	For the three-month period ended March 31,	
		2022	2021
Pegatron Corporation	Provide services	\$83	\$83
Pegatron Corporation	Pay utilities	\$34,278	\$28,628
Pegatron Japan Inc.	Provide services and pay utilities and postage	\$27	\$31



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Pegatron Czech S.R.O.	Provide services	\$37	\$17
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D. Refundable deposits

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Related parties			
Pegatron Corporation	\$10,000	\$10,000	\$10,000

E. Contract liabilities

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Related parties			
Kinsus Interconnect Technology Corp.	\$-	\$60	\$-

F. Other payables

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Related parties			
Pegatron Corporation	\$30,935	\$33,981	\$18,291
Pegatron Japan Inc.	-	-	9
Pegatron Czech S.R.O.	-	26	-
Total	\$30,935	\$34,007	\$18,300

G. Salaries and rewards to key management of the Group

	For the three-month period ended March, 31	
	2022	2021
Short-term employee benefits and post-employment benefits	\$9,387	\$3,095

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8. ASSETS PLEDGED AS COLLATERAL

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

Item	Carrying Amount as at			Secured liabilities
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021	
Property, plant and equipment - Buildings (carrying amount)	\$41,059	\$42,036	\$60,193	Secured borrowings
Refundable deposits	2,000	2,000	2,000	Security deposit to custom authority
Total	<u>\$43,059</u>	<u>\$44,036</u>	<u>\$62,193</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As at March 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	\$1,563,648	\$705,616	\$858,032
Machinery and equipment	64,500	19,350	45,150
Total	<u>\$1,628,148</u>	<u>\$724,966</u>	<u>\$903,182</u>

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

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12. OTHERS

(1) Categories of financial instruments

Financial assets

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$139,077	\$67,028	\$155,977
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,994,726	1,844,815	1,790,777
Accounts receivables	637,539	627,333	457,803
Other receivables	17,205	6,708	9,774
Refundable deposits	68,803	68,564	75,244
Subtotal	<u>2,718,273</u>	<u>2,547,420</u>	<u>2,333,598</u>
Total	<u>\$2,857,350</u>	<u>\$2,614,448</u>	<u>\$2,489,575</u>

Financial liabilities

	As at		
	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Financial liabilities at amortized cost:			
Short-term borrowings	\$662,383	\$444,866	\$306,439
Payables	2,234,775	1,939,156	1,340,683
Long-term borrowings (including current portion with maturity less than 1 year)	144,891	141,993	14,723
Lease liabilities	154,574	161,503	112,767
Total	<u>\$3,196,623</u>	<u>\$2,687,518</u>	<u>\$1,774,612</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 three-month periods ended March 31, 2022 and 2021 would increase/decrease by NT\$1,222 thousand and decrease/increase NT\$3,832 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, net income (loss) for the three-month periods ended March 31, 2022 and 2021 would decrease/increase by NT\$858 thousand and NT\$1,024 thousand, respectively.

#### Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the three-month periods ended March 31, 2022 and 2021 would increase /decrease by NT\$66 thousand and by NT\$157 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 at March 31, 2022, December 31, 2021 and March 31, 2021, receivables from the top ten customers were accounted for 65.91%, 71.14% and 79.99% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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

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

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

(5)Liquidity risk management

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

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>&gt;5 years</u>	<u>Total</u>
<u>As at March 31, 2022</u>							
Borrowings	\$665,226	\$6,384	\$17,413	\$25,983	\$25,177	\$76,463	\$816,646
Payables	2,234,775	-	-	-	-	-	2,234,775
Lease liabilities	53,120	40,380	26,616	19,545	5,955	11,929	157,545
<u>As at 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

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As at March 31, 2021

Borrowings	\$306,507	\$588	\$3,807	\$3,791	\$1,291	\$5,856	\$321,840
Payables	1,340,683	-	-	-	-	-	1,340,683
Lease liabilities	43,333	28,073	15,086	7,677	4,781	16,355	115,305

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the three-month periods ended March 31, 2022:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As at January 1, 2022	\$444,866	\$141,993	\$515	\$161,503	\$748,877
Cash flows	217,517	-	427	(14,155)	203,789
Non-cash changes					
Lease range changes	-	-	-	5,052	5,052
Interests on lease liabilities	-	-	-	380	380
Others	-	72	-	-	72
Currency rate change	-	2,826	-	1,794	4,620
As at March 31, 2022	\$662,383	\$144,891	\$942	\$154,574	\$962,790

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

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

(7) Fair values of financial instruments

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

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

- a. The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds).
- c. Fair value of equity instruments without market quotations, bank borrowing and other non-current liabilities are determined based on the counterparty prices or valuation method (including private placement of listed equity securities, unquoted public Group and private Group equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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



(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

B. Fair value measurement hierarchy of the Group's assets and liabilities

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

As at March 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Money market fund	\$139,077	\$-	\$-	\$139,077
<u>Financial liabilities:</u>				
None				

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

As at December 31, 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				

As at March 31, 2021

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

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

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

	As at					
	31 Mar. 2022			31 Dec. 2021		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$22,066	28.591	\$630,888	\$24,770	27.871	\$690,362
CNY	\$29,499	4.509	\$133,017	\$27,519	4.342	\$119,488

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

Financial liabilities

Monetary items:

USD	<u>\$26,310</u>	28.625	<u>\$753,118</u>	<u>\$19,294</u>	27.683	<u>\$534,106</u>
CNY	<u>\$10,465</u>	4.509	<u>\$47,189</u>	<u>\$9,809</u>	4.342	<u>\$42,588</u>

Foreign currency resulting in exchange gain or loss

USD		<u>\$4,399</u>	USD	<u>\$(4,252)</u>
CNY		<u>\$5,383</u>	CNY	<u>\$1,523</u>
Other		<u>\$1,009</u>	Other	<u>\$(5,135)</u>

As at

31 Mar. 2021

<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>NTD</u>
---------------------------	----------------------	------------

Financial assets

Monetary items:

USD	<u>\$24,514</u>	28.459	<u>\$697,646</u>
CNY	<u>\$29,812</u>	4.342	<u>\$129,445</u>

Financial liabilities

Monetary items:

USD	<u>\$11,022</u>	28.532	<u>\$314,482</u>
CNY	<u>\$6,034</u>	4.342	<u>\$27,061</u>

Foreign currency resulting in exchange gain or loss

USD	<u>\$765</u>
CNY	<u>\$(3,166)</u>
Other	<u>\$(5,002)</u>

(10)Capital management

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

### 13. ADDITIONAL DISCLOSURES

#### (1) Information on significant transactions

A. Financing provided to others: None.

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

C. Marketable securities held as at March 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 three-month period ended March 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 three-month period ended March 31, 2022: None.

F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 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 three-month period ended March 31, 2022: Please refer to attachment 3.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as at March 31, 2022: Please refer to attachment 4.

I. Derivative instrument transactions: None.

J. Inter Group relationships and significant inter Group transactions for the three-month period ended March 31, 2022: Please refer to attachment 8.

#### (2) Information on investees

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

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

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Marketable securities held as at March 31, 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 three-month periods ended March 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 three-month period ended March 31, 2022: Please refer to attachment 6.

f. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 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 three-month period ended March 31, 2022: Please refer to attachment 7.

h. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as at March 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 (Note 1)	Accumulated Outflow of Investment from Taiwan as at January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as at March 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as at March 31, 2022	Accumulated Inward Remittance of Earnings as at March 31, 2022	Accumulated Outflow of Investment from Taiwan to Mainland China as at March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	\$112,559 (USD 3,600)	(1)	\$112,559	\$-	\$-	\$112,559	\$12,131 (Note 3 and 4)	100%	\$12,131 (Note 3, 4 and 5)	\$124,760 (Note 3, 4 and 5)	\$-	\$112,559	\$112,559	\$3,167,194
Gemvision Technology (Zhejiang) Limited	Selling medical equipment	\$99,201 (RMB 22,000) (Note 3)	(3) (Note 2)	\$-	\$-	\$-	\$-	\$11,447 (Note 3 and 4)	100%	\$11,447 (Note 3, 4 and 5)	\$97,709 (Note 3, 4 and 5)	\$-	\$-	\$-	

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

Pegavision (Jiangsu) Limited	producing and Selling medical equipment	\$85,620 (USD 3,000)	(1)	\$85,620	\$-	\$-	\$85,620	\$(1,002) (Note 3 and 4)	100%	\$(1,002) (Note 3, 4 and 5)	\$82,457 (Note 3, 4 and 5)	\$-	\$85,620	\$85,620
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Note 1: The investment methods are divided into the following three types, just indicate the types:

- (1) Go directly to the mainland China for investment.
- (2) Reinvest in mainland China through a third-region company.
- (3) Other methods.

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

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

Note 4: Gain/loss on investment is recognized based on the reviewed financial statements of the parent company's auditors in Taiwan.

Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

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

B.Purchase and balances of related accounts payable as at March 31, 2022: None.

C.Sale and balance of related accounts receivable as at March 31, 2022:

	Sales		Account Receivable	
	Amount	Percentage of the net sales	Amount	Percentage of the Account Receivable
Gemvision Technology (Zhejiang) Limited	\$51,527	3.94%	\$101,459	11.18%
Pegavision (Jiangsu) Limited	\$1,488	0.11%	\$1,552	0.17%

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

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

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

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

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

(4)Information on major shareholders

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



#### 14. SEGMENT INFORMATION

The 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  
 Endorsement/Guarantee Provided to Others  
 For the three-month period ended March 31, 2022

Attachment 1  
 ( New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Nature of Relationship										
-	-	-	-	-	\$-	\$-	\$-	\$-	-%	-	-	-	-

Note 1: 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 March 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 March 31, 2022			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
Pegavision Corporation	Money market funds: FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	7,174,004	\$111,012	-%	\$111,065	
Pegavision Corporation	Money market funds: Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	2,049,907	26,000	-%	\$26,003	
Mayin Investment Co. , Ltd.	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	158,409	2,008	-%	2,009	
	Add: Valuation Adjustment				57			
	Total				<u>\$139,077</u>		<u>\$139,077</u>	

Pegavision Corporation and Subsidiaries

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

For the three-month period ended March 31, 2022

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	Sales	\$644,710	49.32%	90 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$468,663	51.66%	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 March 31, 2022

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss allowance
					Amount	Action Taken		
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	\$468,663 (Note)	6.69	\$-	-	\$1,653	\$-
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	\$101,459 (Note)	2.20	\$-	-	\$-	\$-
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	\$111,898 (Note)	2.31	\$-	-	\$945	\$-

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 March 31, 2022

Attachment 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of March 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of March 31, 2022	As of December 31, 2021	Shares	%	Carrying Value			
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	<u>JPY9,900</u>	<u>JPY9,900</u>	198 shares	100.00%	<u>\$66,850</u>	<u>\$8,516</u>	<u>\$8,516</u>	Note
Pegavision Corporation	Mayin Investment Co. , Ltd.	Taiwan	Investing activities	<u>NTD 120,003</u>	<u>NTD 120,003</u>	12,000,000 shares	100.00%	<u>\$176,894</u>	<u>\$12,184</u>	<u>\$12,184</u>	Note
Mayin Investment Co. , Ltd.	BeautyTech Platform Corporation	Taiwan	Selling medical equipment	<u>NTD 40,000</u>	<u>NTD 40,000</u>	4,000,000 shares	100.00%	<u>\$70,028</u>	<u>\$13,626</u>	<u>\$13,626</u>	Note
Mayin Investment Co. , Ltd.	FacialBeau International Corporation	Taiwan	Selling cosmetic products	<u>NTD 27,500</u>	<u>NTD 27,500</u>	2,750,000 shares	55.00%	<u>\$25,923</u>	<u>\$(2,561)</u>	<u>\$(1,408)</u>	Note
BeautyTech Platform Corporation	Aquamax Vision Corporation	USA	Selling medical equipment	<u>USD 1,100</u>	<u>USD 1,100</u>	11,000,000 shares	100.00%	<u>\$10,297</u>	<u>\$(2,416)</u>	<u>\$(2,416)</u>	Note

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

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 March 31, 2022

Attachment 6

(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 three-month period ended March 31, 2022

Attachment 7

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note	
			Purchase/Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Pegavision Japan Inc.	Pegavision Corporation	Subsidiary	Purchase	\$644,710	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$468,663	100.00%	Note

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



Pegavision Corporation and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the three-month period ended March 31, 2022

Attachment 8

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
	<u>2022.01.01~2022.03.31</u>						
0	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	\$644,710	90 days after monthly closing	43.32%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	468,663	90 days after monthly closing	5.28%
0	Pegavision Corporation	Pegavision Contact Lenses (Shanghai) Corporation	1	Operating expense	79	Within 180 days after monthly closing	0.01%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Sales revenue	51,527	Within 180 days after monthly closing	3.46%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	101,459	Within 180 days after monthly closing	1.14%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Sales revenue	72,409	Within 120 days after monthly closing	4.86%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other operating income	1,905	Within 120 days after monthly closing	0.13%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Operating expense	1,631	Within 120 days after monthly closing	0.11%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Rent income	889	Within 120 days after monthly closing	0.06%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Accounts receivable	111,898	Within 120 days after monthly closing	1.26%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other receivable	274	Within 120 days after monthly closing	-
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Other payable	1,660	30 days after monthly closing	0.02%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Deposits received	4	-	-
0	Pegavision Corporation	Aqumax Vision Corporation	1	Sales revenue	(9,276)	Within 120 days after monthly closing	(0.62)%
0	Pegavision Corporation	Aqumax Vision Corporation	1	Accounts receivable	2,036	Within 120 days after monthly closing	0.02%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Sales revenue	1,488	Within 120 days after monthly closing	0.10%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Operating expense	3,742	Within 120 days after monthly closing	0.25%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Accounts receivable	1,552	Within 120 days after monthly closing	0.02%
1	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Other operating income	7,082	Within 180 days after monthly closing	0.48%
1	Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Accounts receivable	2,390	Within 180 days after monthly closing	0.03%

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

- (1) Parent company is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

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

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

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

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