

Ticker: 6491

**PEGAVISION CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS 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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MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Pegavision Corporation as of December 31, 2023 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegavision Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Pegavision Corporation

By

Guo, Ming-Dong

Chairman

January 29, 2024

INDEPENDENT AUDITORS' REPORT

To : the Board of Directors and Shareholders of
Pegavision Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Pegavision Corporation (the “Company”) and its subsidiaries as of December 31, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of material accounting policies (together referred as “the consolidated financial statements”).

In our opinion, based on our audits and the reports of the other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Group's revenue amounting to NT\$6,789,861 thousand for the year ended December 31, 2023 is a significant account to the Group's consolidated financial statements. The Group has conducted these sale activities in multi-marketplace, including Taiwan, China, Japan, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

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

Market valuation on Inventory

We determined the market valuation on inventory is also one of key audit matters. The Group's net inventory amounted to NT\$583,479 thousand, representing 4% of total assets, as of December 31, 2023, which is significant to the Group's consolidated financial statements. The market of the Group's main products, is characterized by fierce competition and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value.

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

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of invested associates accounted for using the equity method by the Company and its subsidiaries, which were audited by other independent auditors. The financial statements of invested associates as of December 31, 2023 were audited by other independent auditors, whose report thereon has been furnished to us, and our opinions expressed herein are based solely on other auditors. These investment accounted for using the equity method amounted to NT\$19,817 thousand, accounting for 0.14% of the total assets as of December 31, 2023, and the related shares of profit or loss of associates and joint ventures accounted for using the equity method amounted to NT\$(183) thousand, accounting for (0.01)% of the Company's net income before income tax for the year ended December 31, 2023.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2023 and 2022.

/s/Chang, Chih-Ming

/s/Kuo, Shao-Pin

Ernst & Young
Taiwan, R.O.C.
January 29, 2024

Notice to Readers

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

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

Pegavision Corporation and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2023 and 2022
(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2023		As of December 31, 2022	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$1,500,502	11	\$1,846,120	19
1110	Financial assets at fair value through profit or loss	4, 6(2)	2,635,465	19	666,488	7
1136	Financial assets measured at amortized cost	6(3)	2,098,369	15	-	-
1170	Accounts receivable, net	4, 6(4), 6(15), 7	831,045	6	745,195	8
1200	Other receivables		34,630	-	5,523	-
1220	Current tax assets		442	-	2,929	-
1310	Inventories, net	4, 6(5)	583,479	4	568,628	6
1410	Prepayments		127,135	1	76,884	1
1470	Other current assets		63,553	1	59,062	1
	Total current assets		7,874,620	57	3,970,829	42
15xx	Non-current assets					
1550	Investment accounted for using equity method	4, 6(6)	19,817	-	-	-
1600	Property, plant and equipment, net	4, 6(7), 8, 9	4,724,153	34	5,037,447	52
1755	Right-of-use assets, net	4, 6(19), 7	266,620	2	356,943	4
1780	Intangible assets, net	4, 6(8)	19,540	-	22,223	-
1840	Deferred tax assets	4, 6(23)	38,390	-	17,793	-
1900	Other non-current assets	6(7), 6(9), 7, 8	915,712	7	156,362	2
	Total non-current assets		5,984,232	43	5,590,768	58
	Total Assets		\$13,858,852	100	\$9,561,597	100

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

Pegavision Corporation and Subsidiaries
Consolidated Balance Sheets (Continued)
As of December 31, 2023 and 2022
(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2023		As of December 31, 2022	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term borrowings	6(10)	\$908,620	7	\$284,467	3
2130	Contract liabilities	6(17), 7	87,354	1	77,703	1
2150	Notes payable		589	-	3,910	-
2170	Accounts payable		232,727	2	190,643	2
2200	Other payables	6(11), 7	1,571,000	10	1,397,777	15
2230	Current tax liabilities	4, 6(23)	95,548	1	105,500	1
2280	Lease liabilities	4, 6(19), 7	133,272	1	132,253	1
2300	Other current liabilities	6(12), 6(13), 8	277,722	2	249,251	3
	Total current liabilities		3,306,832	24	2,441,504	26
25xx	Non-current liabilities					
2540	Non-current portion of long-term borrowings	6(13), 8	365,092	3	364,879	4
2570	Deferred tax liabilities	4, 6(23)	65,368	-	37,185	-
2580	Lease liabilities	4, 6(19), 7	140,048	1	231,107	2
2645	Guarantee deposits received		1,004	-	974	-
2670	Other non-current liabilities	4, 6(12)	268	-	216	-
	Total non-current liabilities		571,780	4	634,361	6
	Total liabilities		3,878,612	28	3,075,865	32
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(15)				
3110	Common stock		780,000	6	700,000	7
3200	Capital surplus	6(15)	4,269,521	30	1,810,341	19
3300	Retained earnings	6(15)				
3310	Legal reserve		520,327	4	367,572	4
3320	Special reserve		12,934	-	16,367	-
3350	Unappropriated retained earnings		4,352,686	31	3,546,106	37
3400	Other equity interest		(27,786)	-	(12,934)	-
36xx	Non-controlling interests	6(15)	72,558	1	58,280	1
	Total equity		9,980,240	72	6,485,732	68
	Total liabilities and equity		\$13,858,852	100	\$9,561,597	100

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

Pegavision Corporation and Subsidiaries
Consolidated Statements Of Comprehensive Incomes
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	4, 6(17), 7	\$6,789,861	100	\$6,321,198	100
5000	Operating costs	6(5)	(3,121,577)	(46)	(3,005,756)	(48)
5900	Gross profit		3,668,284	54	3,315,442	52
6000	Operating expenses	7				
6100	Selling expenses		(622,839)	(9)	(555,426)	(9)
6200	Administrative expenses		(431,736)	(6)	(371,077)	(6)
6300	Research and development expenses		(592,395)	(9)	(575,925)	(9)
6450	Expected credit gains (losses)	6(18)	(40,203)	(1)	6,859	-
	Operating expenses total		(1,687,173)	(25)	(1,495,569)	(24)
6900	Operating income		1,981,111	29	1,819,873	28
7000	Non-operating income and expenses	6(21)				
7100	Interest income		29,917	1	8,628	-
7010	Other income		13,626	-	19,478	-
7020	Other gains or losses		(304)	-	(8,175)	-
7050	Finance costs		(45,527)	(1)	(22,526)	-
7060	Share of profit or loss of associates and joint ventures accounted		(183)	-	-	-
	Total non-operating incomes and expenses		(2,471)	-	(2,595)	-
7900	Income from continuing operations before income tax		1,978,640	29	1,817,278	28
7950	Income tax	4, 6(23)	(300,709)	(4)	(271,937)	(4)
8200	Net income		1,677,931	25	1,545,341	24
8300	Other comprehensive income (loss)	6(22)				
8360	Items that may be reclassified subsequently to profit or loss					
8380	Exchange differences resulting from translating the financial statements of a foreign operation		(15,362)	-	2,673	-
8399	Income tax relating to components of other comprehensive income		(45)	-	-	-
	Total other comprehensive income, net of tax		(15,407)	-	2,673	-
8500	Total comprehensive income		\$1,662,524	25	\$1,548,014	24
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		\$1,655,902	25	\$1,542,135	24
8620	Non-controlling interests		22,029	-	3,206	-
			\$1,677,931	25	\$1,545,341	24
8700	Comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		\$1,641,050	25	\$1,545,568	24
8720	Non-controlling interests		21,474	-	2,446	-
			\$1,662,524	25	\$1,548,014	24
9750	Earnings per share-basic (in NTD)	4, 6(24)	\$22.83		\$22.03	
9850	Earnings per share-diluted (in NTD)	4, 6(24)	\$22.61		\$21.84	

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

Pegavision Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent							Non-controlling interests	Total Equity
		Capital	Capital Surplus	Retained Earnings				Total		
				Legal Reserve	Special reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations			
3100	3200	3310	3320	3350	3410	31XX	36XX	3XXX		
A1	Balance as of January 1, 2022	\$700,000	\$1,804,931	\$242,715	\$8,143	\$2,746,643	\$(16,367)	\$5,486,065	\$22,362	\$5,508,427
	Appropriation and distribution of 2021 earnings									
B1	Legal reserve appropriated			124,857		(124,857)		-		-
B3	Special reserve appropriated				8,224	(8,224)		-		-
B5	Cash dividends-common shares					(595,000)		(595,000)		(595,000)
D1	Net income for 2022					1,542,135		1,542,135	3,206	1,545,341
D3	Other comprehensive income (loss) for 2022						3,433	3,433	(760)	2,673
D5	Total comprehensive income	-	-	-	-	1,542,135	3,433	1,545,568	2,446	1,548,014
H3	Reorganization		4,729			(5,423)		(694)	694	-
M5	Difference between consideration given / received and carrying amount of interests in subsidiaries acquired / disposed of		(962)			(9,168)		(10,130)	10,130	-
N1	Share-based payment transaction		1,643					1,643	148	1,791
O1	Non-controlling interests								22,500	22,500
Z1	Balance as of December 31, 2022	\$700,000	\$1,810,341	\$367,572	\$16,367	\$3,546,106	\$(12,934)	\$6,427,452	\$58,280	\$6,485,732
A1	Balance as of January 1, 2023	\$700,000	\$1,810,341	\$367,572	\$16,367	\$3,546,106	\$(12,934)	\$6,427,452	\$58,280	\$6,485,732
	Appropriation and distribution of 2022 earnings									
B1	Legal reserve appropriated			152,755		(152,755)		-		-
B3	Special reserve appropriated				(3,433)	3,433		-		-
B5	Cash dividends-common shares					(700,000)		(700,000)		(700,000)
D1	Net income for 2023					1,655,902		1,655,902	22,029	1,677,931
D3	Other comprehensive income (loss) for 2023						(14,852)	(14,852)	(555)	(15,407)
D5	Total comprehensive income	-	-	-	-	1,655,902	(14,852)	1,641,050	21,474	1,662,524
E1	Proceeds from issuing shares	80,000	2,459,180					2,539,180	304	2,539,484
O1	Non-controlling interests								(7,500)	(7,500)
Z1	Balance as of December 31, 2023	\$780,000	\$4,269,521	\$520,327	\$12,934	\$4,352,686	\$(27,786)	\$9,907,682	\$72,558	\$9,980,240

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

Pegavision Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2023	2022	Code	Items	2023	2022
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income before income tax	\$1,978,640	\$1,817,278	B00040	Increase in financial assets measured at amortized cost	(2,098,369)	-
A20000	Adjustments:			B01800	Acquisition of investments accounted for using the equity method	(20,000)	-
A20010	Profit or loss not effecting cash flows:			B02700	Acquisition of property, plant and equipment	(1,111,502)	(1,410,912)
A20100	Depreciation (including right-of-use assets)	923,368	923,876	B02800	Proceeds from disposal of property, plant and equipment	114	180
A20200	Amortization	13,574	8,837	B03800	(Increase) decrease in refundable deposits	4,878	755
A20300	Expected credit losses (gain)	40,203	(6,859)	B04500	Acquisition of intangible assets	(10,891)	(18,527)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(16,175)	(761)	B05350	Acquisition of right-of use assets	(161,852)	-
A20900	Interest expense	45,527	22,526	BBBB	Net cash provided by (used in) investing activities	(3,397,622)	(1,428,504)
A21200	Interest income	(29,917)	(8,628)				
A21900	Share-based payments awards	59,484	1,791	CCCC	Cash flows from financing activities:		
A22300	Share of profit or loss of associates and joint ventures	183	-	C00100	Increase in (repayment of) short-term borrowings	624,153	(160,399)
A22500	Loss (gain) on disposal of property, plant and equipment	(114)	(180)	C01600	Increase in long-term borrowings	122,900	228,104
A23700	Impairment loss on non-financial assets	19,488	40,759	C01700	Repayment of long-term borrowings	(110,821)	(1,042)
A29900	Loss (gain) on lease modification	(12)	(90)	C03000	Increase (decrease) in guarantee deposits received	30	459
A29900	Loss (gain) on government grants	(69)	(402)	C04020	Payments of lease liabilities	(141,084)	(117,882)
A30000	Changes in operating assets and liabilities:			C04500	Dividend distribution	(707,500)	(595,000)
A31115	Financial assets at fair value through profit or loss	(1,952,802)	(598,699)	C04600	Proceeds from issuing shares	2,480,000	-
A31150	Accounts receivable	(126,050)	(111,031)	C05800	Non-controlling interests changed	-	22,500
A31180	Other receivables	(18,090)	1,381	CCCC	Net cash provided by (used in) financing activities	2,267,678	(623,260)
A31200	Inventories	(14,851)	5,146				
A31230	Prepayments	(50,251)	(3,475)	DDDD	Effect of exchange rate changes	(15,150)	1,456
A31240	Other current assets	(4,491)	4,733				
A32125	Contract liabilities	9,651	13,476	EEEE	Increase (decrease) in cash and cash equivalents	(345,618)	(2,845)
A32130	Notes payable	(3,321)	1,594	E00100	Cash and cash equivalents at beginning of period	1,846,120	1,848,965
A32150	Accounts payable	42,084	(9,777)	E00200	Cash and cash equivalents at end of period	\$1,500,502	\$1,846,120
A32180	Other payables	184,495	149,523				
A32230	Other current liabilities	16,645	89,324				
A32000	Cash generated from operations	1,117,199	2,340,342				
A33100	Interest received	18,898	8,432				
A33300	Interest paid	(36,795)	(18,102)				
A33500	Income tax paid	(299,826)	(283,209)				
AAAA	Net cash provided by (used in) operating activities	799,476	2,047,463				

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

1. HISTORY AND ORGANIZATION

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

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

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on January 29, 2024.

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, 2023. The adoption of these new standards and amendments and interpretations of initial application has 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 International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

(a) 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.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

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

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

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

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The remaining standards and interpretations have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

(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) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

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 MATERIAL ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

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

(3)Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%) , As of December 31,		
			2023	2022	Note
The Company	Pegavision Japan Inc.	Selling medical equipment	100.00%	100.00%	None
The Company	Pegavision (Jiangsu) Limited	Producing and selling medical equipment	100.00%	100.00%	None
The Company	Mayin Investment Co., Ltd.	Investing activities	100.00%	100.00%	None
The Company	PEGAVISION VIETNAM COMPANY LIMITED	Producing and selling medical equipment	100.00%	-%	Note 2
Mayin Investment Co., Ltd.	BeautyTech Platform Corporation	Selling medical equipment and cosmetic products	85.00%	85.00%	None
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling medical equipment and cosmetic products	55.00%	55.00%	None
BeautyTech Platform Corporation	Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	100.00%	100.00%	Note 1
BeautyTech Platform Corporation	BeautyTech Platform (Shanghai) Corporation	Selling medical equipment and cosmetic products	100.00%	100.00%	Note 1

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Investor	Subsidiary	Main business	Percentage of Ownership (%) , As of December 31,		
			2023	2022	Note
BeautyTech Platform Corporation	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD.	Selling medical equipment and cosmetic products	100.00%	100.00%	None
Pegavision Contact Lenses (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	Selling medical equipment	100.00%	100.00%	None
FacialBeau International Corporation	FacialBeau (Jiangsu) Corporation	Selling medical equipment and cosmetic products	100.00%	100.00%	Note 1
FacialBeau International Corporation	IKIDO Inc.	Selling medical equipment and cosmetic products	100.00%	100.00%	None
FacialBeau International Corporation	RODNA Co., Ltd.	Selling medical equipment and cosmetic products	100.00%	100.00%	None
FacialBeau International Corporation	Aquamax Vision Corporation	Selling medical equipment and cosmetic products	100.00%	100.00%	None

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 Pegavision Contact Lenses (Shanghai) Corporation was transferred to BeautyTech Platform Corporation from the company.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(b) BeautyTech Platform (Shanghai) Corporation which is 100% held by BeautyTech Platform Corporation was registered at January 24, 2022.

(c) FacialBeau (Jiangsu) Corporation which is 100% held by FacialBeau International Corporation was registered at February 25, 2023. The investment amount has not been remitted as at December 31, 2023.

Note 2: Taking into consideration the long-term developmental needs and to diversify production risks of the Company, the board meeting was held on February 13, 2023 and passed the resolution to establish a wholly owned subsidiary PEGAVISION VIETNAM COMPANY LIMITED by Pegavision Corporation, which completed registration on November 14, 2023.

(4) Foreign currency transactions

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

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

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

(A) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(B) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

(C) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

(6)Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7)Cash and cash equivalents

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

(8)Financial instruments

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

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

(A) Financial assets: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

(b)At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c)For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

(d)For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(C)Derecognition of financial assets

A financial asset is derecognized when:

(a)The rights to receive cash flows from the asset have expired

(b)The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred

(c)The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(D)Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(E) Offsetting of financial instruments

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

(9) Fair value measurement

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

(A) In the principal market for the asset or liability, or

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

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

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

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

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

(10) Inventories

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

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

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

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

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

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12)Property, plant and equipment

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

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

Buildings	16.5 years
Machinery and equipment	2 ~ 6 years
Transportation equipment	2 ~ 6 years
Computer equipment	2 ~ 6 years
Office equipment	2.5 ~ 5 years
Other equipment	1~ 11 years

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

(14)Intangible assets

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

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

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

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

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

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

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

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

(15) Impairment of non-financial assets

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

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

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

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

(16)Revenue recognition

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

Sale of goods

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

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

(17)Borrowing costs

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

(18)Government grants

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

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

(19)Post-employment benefits

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

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

(20)Income tax

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

Current income tax

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

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

Deferred tax

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

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

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

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

(A) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

(B) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

5.SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions:

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

(1)Accounts receivables - estimation of impairment loss

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

(2)Inventory

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

(3)Revenue recognition - sale returns and allowances

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

(4)Income tax

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

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash and petty cash	\$5,212	\$4,358
Checkings and savings	479,509	447,024
Time deposit	1,015,781	1,394,738
Total	<u>\$1,500,502</u>	<u>\$1,846,120</u>

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

	As of December 31,	
	2023	2022
Mandatorily measured at fair value through profit or loss:		
Money market fund	\$2,631,606	\$666,000
Valuation adjustment	3,859	488
Total	<u>\$2,635,465</u>	<u>\$666,488</u>
Current	\$2,635,465	\$666,488
Non-current	-	-
Total	<u>\$2,635,465</u>	<u>\$666,488</u>

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(3) Financial asset measured at amortized cost

	As of December 31,	
	2023	2022
Time deposit	\$2,098,369	\$-
Less: loss allowance	-	-
Total	<u>\$2,098,369</u>	<u>\$-</u>
Current	<u>\$2,098,369</u>	<u>\$-</u>
Non-current	<u>\$-</u>	<u>\$-</u>

The Group deals with financial institutions with good credit, so there is no significant credit risk.

No financial asset measured at amortized cost was pledged as collateral.

(4) Accounts receivable, net

A. Accounts receivable, net

	As of December 31,	
	2023	2022
Accounts receivable, gross	\$879,385	\$753,335
Less: loss allowance	(48,340)	(8,140)
Total accounts receivable, net	<u>\$831,045</u>	<u>\$745,195</u>

B. Accounts receivable were not pledged.

C. Accounts receivable are generally on T/T to 90 days terms. The total carrying amount is NT\$879,385 thousand and NT\$753,335 thousand as of December 31, 2023 and 2022, respectively. Please refer to Note 6 (18) for more details on loss allowance of accounts receivable for the periods ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(5)Inventory

A.Details of inventory:

	As of December 31,	
	2023	2022
Merchandises	\$10,876	\$6,197
Raw materials	89,244	92,656
Supplies	7,558	7,947
Work in process	128,226	146,162
Finished goods	347,575	315,666
Total	<u>\$583,479</u>	<u>\$568,628</u>

B.For the years ended December 31, 2023 and 2022, the Group recognized NT\$3,121,577 thousand and NT\$3,005,756 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the year ended December 31,	
	2023	2022
Loss (Gain) from inventory market decline	\$(13,293)	\$34,531
Loss from inventory write-off obsolescence	24,573	27,428
Total	<u>\$11,280</u>	<u>\$61,959</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

Notes to Consolidated Financial Statements (Continued)

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

(6) Investments accounted for under the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As of December 31,				Note
	2023		2022		
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	
<u>Unlisted company</u>					
Zhuhe Investment Co., Ltd.	<u>\$19,817</u>	11.76%		Not applicable	None

A. Investments in associates

The information regarding non-significant associates of the Group is as follows:

In August 2023, the Group invested cash in Zhuhe Investment Co., Ltd., holding 11.76% ownership and was appointed one seat of directorship. Therefore, the Group only has material influence but does not have control over Zhuhe Investment Co., Ltd.

As of December 31, 2023, the aggregated carrying amount of the Group's investment in Zhuhe Investment Co., Ltd. amounted to NT\$19,817 thousand. The summarized financial information for the share of associates of the Group is as follows:

	For the year ended December 31, 2023
Profit (loss) from continuing operations	<u>\$(183)</u>
Other comprehensive income (post-tax)	<u>-</u>
Total comprehensive loss	<u>\$(183)</u>

B. As of December 31, 2023, the investments accounted for using the equity method amounted to NT\$19,817 thousand. The share of profit or loss of associates and joint ventures accounted for using the equity method amounted to NT\$(183) thousand, and our audit results are based solely on the reports of the other independent auditors.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

The associates and jointly controlled entities had no contingent liabilities or capital commitments and investments in associates and jointly controlled entities were not pledged.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(7)Property, plant and equipment

								Construction in progress and equipment awaiting inspection (including prepayment for property and equipment)	Total
	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Office equipment	Other equipment		
<u>Cost:</u>									
As of 1/1/2023	\$1,514,524	\$165,620	\$4,876,270	\$1,973	\$84,335	\$-	\$991,212	\$1,133,177	\$8,767,111
Addition	8,353	4,545	-	-	-	2,532	3,643	1,076,149	1,095,222
Disposals	-	-	(2,991)	-	(339)	-	(8,617)	-	(11,947)
Transfer	-	-	47,971	-	2,696	-	93,352	(144,019)	-
Effect of EX rate	-	-	-	-	(36)	-	(1,220)	(111)	(1,367)
As of 12/31/2023	<u>\$1,522,877</u>	<u>\$170,165</u>	<u>\$4,921,250</u>	<u>\$1,973</u>	<u>\$86,656</u>	<u>\$2,532</u>	<u>\$1,078,370</u>	<u>\$2,065,196</u>	<u>\$9,849,019</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

								Construction in progress and equipment awaiting inspection (including prepayment for property and equipment)	Total
	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Office equipment	Other equipment		
As of 1/1/2022	\$1,317,564	\$69,345	\$4,755,399	\$1,505	\$78,435	\$-	\$875,893	\$823,483	\$7,921,624
Addition	-	-	-	-	946	-	-	939,792	940,738
Disposals	-	-	(44,297)	-	(2,406)	-	(31,226)	-	(77,929)
Transfer	196,960	96,275	165,168	468	7,281	-	146,303	(630,982)	(18,527)
Effect of EX rate	-	-	-	-	79	-	242	884	1,205
As of 12/31/2022	<u>\$1,514,524</u>	<u>\$165,620</u>	<u>\$4,876,270</u>	<u>\$1,973</u>	<u>\$84,335</u>	<u>\$-</u>	<u>\$991,212</u>	<u>\$1,133,177</u>	<u>\$8,767,111</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting inspection (including prepayment for property and equipment)	Total
<u>Depreciation and impairment:</u>									
As of 1/1/2023	\$-	\$41,075	\$2,865,878	\$1,114	\$75,651	\$-	\$657,393	\$-	\$3,641,111
Depreciation	-	4,310	660,515	252	5,442	33	115,016	-	785,568
Impairment loss	-	7,594	-	-	-	-	11,894	-	19,488
Disposal	-	-	(2,991)	-	(339)	-	(8,617)	-	(11,947)
Transfer	-	-	(804)	-	-	-	804	-	-
Effect of EX rate	-	-	-	-	(22)	(1)	(260)	-	(283)
As of 12/31/2023	<u>\$-</u>	<u>\$52,979</u>	<u>\$3,522,598</u>	<u>\$1,366</u>	<u>\$80,732</u>	<u>\$32</u>	<u>\$776,230</u>	<u>\$-</u>	<u>\$4,433,937</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

								Construction in progress and equipment awaiting inspection (including prepayment for property and equipment)	
	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Office equipment	Other equipment		Total
As of 1/1/2022	\$-	\$27,309	\$2,227,640	\$876	\$68,438	\$-	\$548,624	\$-	\$2,872,887
Depreciation	-	3,968	682,535	238	8,625	-	111,626	-	806,992
Impairment loss	-	9,798	-	-	998	-	28,274	-	39,070
Disposal	-	-	(44,297)	-	(2,406)	-	(31,226)	-	(77,929)
Transfer	-	-	-	-	-	-	-	-	-
Effect of EX rate	-	-	-	-	(4)	-	95	-	91
As of 12/31/2022	\$-	\$41,075	\$2,865,878	\$1,114	\$75,651	\$-	\$657,393	\$-	\$3,641,111
<u>Net carrying amount:</u>									
As of 12/31/2023	\$1,522,877	\$117,186	\$1,398,652	\$607	\$5,924	\$2,500	\$302,140	\$2,065,196	\$5,415,082
As of 12/31/2022	\$1,514,524	\$124,545	\$2,010,392	\$859	\$8,684	\$-	\$333,819	\$1,133,177	\$5,126,000

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

	As of December 31,	
	2023	2022
Property, plant and equipment	\$4,724,153	\$5,037,447
Prepayment for property and equipment	690,929	88,553
Total	<u>\$5,415,082</u>	<u>\$5,126,000</u>

B.For the years ended December 31, 2023 and 2022, NT\$19,488 thousand and NT\$39,070 thousand impairment loss represented the write down of certain property, plant and equipment to the recoverable amount. This has been recognized in the statement of comprehensive income. The recoverable value is measured at usage values by the individual units.

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

(8)Intangible assets

	<u>Computer software</u>
<u>Cost:</u>	
As of January 1, 2023	\$48,385
Additions – acquired separately	10,891
Transfer	-
Derecognized upon retirement	-
Effect of EX rate	-
As of December 31, 2023	<u>\$59,276</u>
As of January 1, 2022	\$34,865
Additions – acquired separately	-
Transfer	18,527
Derecognized upon retirement	(5,166)
Effect of EX rate	159
As of December 31, 2022	<u>\$48,385</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

	<u>Computer software</u>
<u>Amortization and Impairment:</u>	
As of January 1, 2023	\$26,162
Amortization	13,574
Impairment loss	-
Derecognized upon retirement	-
Effect of EX rate	-
As of December 31, 2023	<u>\$39,736</u>
As of January 1, 2022	\$20,783
Amortization	8,837
Impairment loss	1,689
Derecognized upon retirement	(5,166)
Effect of EX rate	19
As of December 31, 2022	<u>\$26,162</u>
<u>Carrying amount, net:</u>	
As of December 31, 2023	<u>\$19,540</u>
As of December 31, 2022	<u>\$22,223</u>

Amounts of amortization recognized for intangible assets are as follows:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Manufacturing expense	\$289	\$350
Selling expense	477	574
Administrative expense	11,843	6,722
Research and development expense	965	1,191
Total	<u>\$13,574</u>	<u>\$8,837</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(9)Other non-current assets

	As of December 31,	
	2023	2022
Refundable deposits	\$62,931	\$67,809
Prepayment for property and equipment	690,929	88,553
Prepayment for land use right	161,852	-
Total	<u>\$915,712</u>	<u>\$156,362</u>

(10)Short-term borrowings

	As of December 31,	
	2023	2022
Unsecured bank loans	<u>\$908,620</u>	<u>\$284,467</u>
Interest Rate (%)	3.86%~6.25%	3.04%~5.63%

The Group's unused short-term lines of credits amounts to NT\$398,535 thousand and NT\$1,018,762 thousand, as of December 31, 2023 and 2022, respectively.

(11)Other payable

	As of December 31,	
	2023	2022
Accrued expenses	\$1,453,946	\$1,269,451
Accrued interest payable	5,821	813
Payable to equipment suppliers	111,233	127,513
Total	<u>\$1,571,000</u>	<u>\$1,397,777</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(12)Other current liabilities

A.Details of other current liabilities

	As of December 31,	
	2023	2022
Other current liabilities	\$22,698	\$65,703
Refund liability	238,294	178,644
Deferred government grants income	326	447
Long-Term Borrowings-Current Portion	16,404	4,457
Total	<u>\$277,722</u>	<u>\$249,251</u>

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

	For the year ended December 31,	
	2023	2022
Beginning balance	\$663	\$1,065
Received during the period	-	-
Released to the statement of comprehensive income	(69)	(402)
Ending Balance	<u>\$594</u>	<u>\$663</u>
Current	<u>\$326</u>	<u>\$447</u>
Non-current	<u>\$268</u>	<u>\$216</u>

C.Please refer to Note 6(13) for more details on interest rate of deferred government grants income.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(13) Long-term borrowings

A. Details of long-term borrowings

Debtor	Type of Loan	Maturity	As of December 31,		Repayment
			2023	2022	
Chang Hwa Commercial Bank – Beitou Branch	Credit loan	2020.03.25- 2025.03.15	\$3,118	\$4,968	Note 1
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured loan	2020.11.10- 2030.10.15	8,471	9,654	Note 2
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured loan	2021.04.08- 2030.10.15	33,577	38,616	Note 2
Mega International Commercial Bank – Lan-Ya Branch	Credit loan	2021.09.02- 2028.09.02	-	92,152	Note 3
Mega International Commercial Bank – Lan-Ya Branch	Secured loan	2021.10.08- 2026.09.15	4,430	4,946	Note 4
Chang Hwa Commercial Bank – Beitou Branch	Secured loan	2022.06.22- 2031.06.21	209,000	219,000	Note 5
Mega International Commercial Bank – Lan-Ya Branch	Credit loan	2023.12.15- 2030.12.15	122,900	-	Note 6
Total			381,496	369,336	
Less: current portion			(16,404)	(4,457)	
Non-current portion			\$365,092	\$364,879	

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

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Note 3: A term is defined as every 3 month starting from the initial draw-down date. Grace period is 3 years (12 terms). The rest is repayable in installments of equal amount for 16 terms. The borrowing was repaid in advance as of January 6, 2023.

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

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

Note 6: A term is defined as every 3 month starting from the initial draw-down date. Grace period is 3 years (12 terms). The rest is repayable in installments of equal amount for 16 terms.

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

	As of December 31,	
	2023	2022
The interest rate intervals(%)	1.15%~6.34%	1.025%~6.43%

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.

(14) Post-employment benefits

Defined contribution plan

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

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

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$52,102 thousand and NT\$50,459 thousand, respectively.

Pension for the years ended December 31, 2023 and 2022 were NT\$12 thousand and NT\$1 thousand, respectively.

(15)Equity

A.Common stock

As of December 31, 2023 and 2022, the Company's authorized capital were NT\$1,000,000 thousand, and paid-in capital were NT\$780,000 thousand and NT\$700,000 thousand, each share at par value of NT\$10, divided into 78,000 thousand shares and 70,000 thousand shares. Each share has one voting right and a right to receive dividends.

On April 28, 2023, the Company's board of directors resolved to increase capital by cash with a total of 8,000 thousand shares issued at NT\$310 per share. The application was approved by the Financial Supervisory Commission with No. Jin-Guan-Cheng-Fa-Zi 1120344879, and the effective date was set on September 7, 2023.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

B.Capital surplus

	As of December 31,	
	2023	2022
Additional paid-in capital	\$4,204,928	\$1,804,928
Changes in ownership interests in subsidiaries	4,609	4,609
Additional paid-in capital-Employee stock warrants	59,359	804
Expired employee stock warrants	625	-
Total	<u>\$4,269,521</u>	<u>\$1,810,341</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 appropriations of earnings for the Years 2023 and 2022 were approved through the Board of Directors' meetings and shareholders' meeting held on January 29, 2024 and May 24, 2023, respectively. The details of the distribution are as follows.

	Appropriation of earnings		Dividend per share (in NT\$)	
	2023	2022	2023	2022
Legal reserve	\$165,590	\$152,755		
Special reserve	14,852	(3,433)		
Cash dividend	780,000	700,000	\$10.0	\$10.0

Please refer to Note 6(20) for details on employees' compensation and remuneration to directors and supervisors.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

D.Non-controlling interests

	For the year ended December 31,	
	2023	2022
Beginning balance	\$58,280	\$22,362
Non-controlling interests increase	-	22,500
Dividend distribution of the subsidiary	(7,500)	-
Non-controlling interests increase/(decrease)	21,474	2,446
Reorganization	-	694
Difference between consideration given/received and carrying amount of interests in subsidiaries acquired / disposed of	-	10,130
Share-based payment transaction	304	148
Ending balance	<u>\$72,558</u>	<u>\$58,280</u>

(16)Share-based payment plans

Certain employees of the Company are entitled to share-based payments as part of their remuneration. Services are provided by the employees with the equity instruments granted as consideration. These plans are accounted for as equity-settled share-based payment transactions.

- A. On April 28, 2023, the Company's board of directors resolved to increase cash capital. And the effective date was September 7, 2023. Except for part of new shares for employees to subscribe it.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

a. Detailed information relevant to the share-based payment plans as of December 31, 2023, is as follows:

	For the year ended December 31, 2023	
	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)
Outstanding at beginning of period	-	\$-
Granted	1,200	310
Exercised	(1,187)	310
Expired	(13)	-
Outstanding at end of period	-	
Weighted-average fair value of options granted during the period	\$49.57	

b. The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	July 10, 2023
Stock price on the grant date (dollar/shares)	\$353.97
Exercise price (dollar/shares)	\$310
Expected volatility	40.40%
Expected life	0.142 years
Dividend yield (%)	0%
Risk free interest rate	0.7872%

The stock market price on the grant date is evaluated by the income method and market method.

The expected volatility is based on the annualised standard deviation of the rate of return on the transactions of the previous year.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

- B. The compensation cost recognized for the cash increase reserved for employees to subscribe is NT\$59,484 thousand for the year ended December 31, 2023.

(17) Operating revenue

	For the year ended December 31,	
	2023	2022
Revenue from customer contracts		
Sales of goods	\$6,789,861	\$6,321,198

Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2023	2022
	Single department	Single department
Sales of goods	\$6,789,861	\$6,321,198
The timing for revenue recognition:		
At a point in time	\$6,789,861	\$6,321,198

B. Contract balances

a. Contract liabilities – current

As of	2023.12.31	2022.12.31	2022.01.01
Sales of goods	\$85,544	\$74,709	\$51,556
Customer loyalty programmes	1,810	2,994	12,671
Total	\$87,354	\$77,703	\$64,227

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

The changes in the Group's balances of contract liabilities for the year ended December 31, 2023 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(71,646)	\$(2,994)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	82,481	1,810

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

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

(18)Expected credit gains (losses)

	For the year ended December 31,	
	2023	2022
Operating expenses – Expected credit gains (losses)		
Accounts receivable	\$(40,203)	\$6,859

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

December 31, 2023

	Not past due	Past due				Total
		<=60 days	61-90 days	91-240 days	>=241 days	
Gross carrying amount	\$837,532	\$775	\$-	\$-	\$41,078	\$879,385
Loss rate	0.87%	1 %	-%	-%	100%	
Lifetime expected credit losses	(7,254)	(8)	-	-	(41,078)	(48,340)
Carrying amount of accounts receivable	\$830,278	\$767	\$-	\$-	\$-	\$831,045

December 31, 2022

	Not past due	Past due		Total
		<=60 days	Separate assessment	
Gross carrying amount	\$733,379	\$18,027	\$1,929	\$753,335
Loss rate	0.82%	1%	100%	
Lifetime expected credit losses	(6,031)	(180)	(1,929)	(8,140)
Carrying amount of accounts receivable	\$727,348	\$17,847	\$-	\$745,195

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

B.The movement in the provision for impairment of accounts receivable for the year ended December 31, 2023 and 2022 are as follows:

	<u>Accounts receivable</u>
As of January 1, 2023	\$8,140
Addition (reversal)	40,203
Effect of EX rate	<u>(3)</u>
As of December 31, 2023	<u><u>\$48,340</u></u>
As of January 1, 2022	\$14,971
Addition (reversal)	(6,859)
Effect of EX rate	<u>28</u>
As of December 31, 2022	<u><u>\$8,140</u></u>

(19)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.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

a.Amounts recognized in the consolidated balance sheet

I.Right-of-use assets

	<u>Buildings</u>
<u>Cost:</u>	
As of 1/1/2023	\$492,223
Addition	48,979
Disposals	(27,962)
Transfer	-
Effect of EX rate	(655)
As of 12/31/2023	<u>\$512,585</u>
As of 1/1/2022	\$207,324
Addition	358,479
Disposals	(74,547)
Transfer	-
Effect of EX rate	967
As of 12/31/2022	<u>\$492,223</u>
<u>Depreciation and impairment:</u>	
As of 1/1/2023	\$135,280
Depreciation	137,800
Impairment loss	-
Disposal	(26,672)
Transfer	-
Effect of EX rate	(443)
As of 12/31/2023	<u>\$245,965</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

	Buildings
As of 1/1/2022	\$49,666
Depreciation	116,884
Impairment loss	-
Disposal	(31,490)
Transfer	-
Effect of EX rate	220
As of 12/31/2022	<u>\$135,280</u>
<u>Net carrying amount:</u>	
As of 12/31/2023	<u>\$266,620</u>
As of 12/31/2022	<u>\$356,943</u>

II. Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	<u>\$273,320</u>	<u>\$363,360</u>
Current	<u>\$133,272</u>	<u>\$132,253</u>
Non-current	<u>\$140,048</u>	<u>\$231,107</u>

Please refer to Note 6(21)(d) for the interest on lease liabilities recognized during the year ended December 31, 2023 and 2022. Please refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

b. Income and costs relating to leasing activities

	For the year ended December 31,	
	2023	2022
The expense relating to short-term leases	\$(19,709)	\$(51,198)
The expense relating to leases of low-value assets	(1,172)	(1,131)
Income from subleasing right-of-use assets	882	516

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

As of December 31, 2023 and 2022, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT\$0.

For the year ended December 31, 2023 and 2022, the Company recognized NT\$19 thousand and NT\$2,411 thousand as income to account the rent concession arising as a direct consequence of the covid-19 pandemic as a variable lease payment.

c.Cash outflow relating to leasing activities

	For the year ended December 31,	
	2023	2022
Cash outflow for leases	\$161,965	\$170,211

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

Nature \ Function	2023			2022		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$971,475	\$822,727	\$1,794,202	\$903,650	\$703,771	\$1,607,421
Labor and health insurance	85,132	38,176	123,308	82,831	34,263	117,094
Pension	27,549	24,592	52,141	28,838	21,622	50,460
Other employee benefit expense	45,852	37,501	83,353	44,886	43,099	87,985
Depreciation	839,514	83,854	923,368	839,106	84,770	923,876
Amortization	289	13,285	13,574	350	8,487	8,837

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

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

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2023 amounted to NT\$246,865 thousand and NT\$21,461 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$231,589 thousand and NT\$20,138 thousand, respectively, recognized as employee benefits.

For the year ended December 31, 2023, the Company distributed the employees' compensation and directors' remuneration in the amount of NT\$246,865 thousand and NT\$21,460 thousand, respectively, which were not significantly different from the amount accounted for in the financial statements.

For the year ended December 31, 2022, the Company distributed the employees' compensation and directors' remuneration in the amount of NT\$231,589 thousand and NT\$20,136 thousand, respectively, which were not significantly different from the amount accounted for in the financial statements.

(21) Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,	
	2023	2022
Interest income		
Deposit interest	\$16,368	\$6,854
Financial assets measured at amortized cost	13,549	1,774
Subtotal	<u>\$29,917</u>	<u>\$8,628</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

B. Other incomes

	For the year ended December 31,	
	2023	2022
Rent income	\$1,361	\$841
Government grants income	69	402
Other income - others	12,196	18,235
Total	\$13,626	\$19,478

C. Other gains and losses

	For the year ended December 31,	
	2023	2022
Gain from disposal of property, plant and equipment	\$114	\$180
Foreign exchange gain (loss), net	5,554	31,630
Gains (losses) on financial assets at fair value through profit or loss	16,175	761
Gains on lease modification	12	90
Impairment loss on non-financial assets	(19,488)	(40,759)
Other losses	(2,671)	(77)
Total	\$(304)	\$(8,175)

D. Finance costs

	For the year ended December 31,	
	2023	2022
Interests on borrowings from bank	\$41,884	\$18,918
Interest on lease liabilities	3,643	3,608
Total	\$45,527	\$22,526

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

E.Share of the profit or loss of associates and joint ventures

	For the year ended December 31,	
	2023	2022
Share of the profit or loss of associates and joint ventures	<u>\$(183)</u>	<u>\$-</u>

(22)Components of other comprehensive income (loss)

For the year ended December 31, 2023

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	<u>\$ (15,362)</u>	<u>\$-</u>	<u>\$ (15,362)</u>	<u>\$ (45)</u>	<u>\$ (15,407)</u>

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	<u>\$2,673</u>	<u>\$-</u>	<u>\$2,673</u>	<u>\$-</u>	<u>\$2,673</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(23)Income tax

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

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2023	2022
Current income tax expense (income):		
Current income tax expense	\$296,450	\$265,817
Adjustments in respect of current income tax of prior periods	(3,230)	(903)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	7,489	7,023
Total income tax expense (income)	<u>\$300,709</u>	<u>\$271,937</u>

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

	For the year ended December 31,	
	2023	2022
Accounting profit before tax from continuing operations	<u>\$1,978,640</u>	<u>\$1,817,278</u>
Tax payable at the enacted tax rates	\$483,671	\$418,116
Tax effect of income tax-exempted	(65,472)	(40,837)
Tax effect of expenses not deductible for tax purposes	1,619	60
Tax effect of deferred tax assets/liabilities	6,722	28,550
Surtax on undistributed earnings	45,791	26,764
Adjustments in respect of current income tax of prior periods	(3,230)	(903)
Operating loss for income tax deduction	(380)	1,096
Other adjustments according to the Tax Law	(168,012)	(160,909)
Total income tax expense (income) recognized in profit or loss	<u>\$300,709</u>	<u>\$271,937</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

For the year ended December 31, 2023

	Beginning balance as of Jan. 1, 2023	Deferred tax income (expense) recognized in profit or loss	Income tax relating to components of other comprehensive income	Exchange adjustment	Ending balance as of Dec. 31, 2023
Temporary differences					
Unrealized loss on inventory valuation	\$14,052	\$15,223	\$-	\$-	\$29,275
Unrealized exchange loss (gain)	2,006	(5,233)	-	-	(3,227)
Investment accounted for using the equity method	(16,058)	(11,825)	-	-	(27,883)
Other	(19,392)	(5,654)	(45)	(52)	(25,143)
Deferred tax income/ (expense)		<u>\$ (7,489)</u>	<u>\$ (45)</u>	<u>\$ (52)</u>	
Net deferred tax assets/(liabilities)	<u>\$ (19,392)</u>				<u>\$ (26,978)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$17,793</u>				<u>\$38,390</u>
Deferred tax liabilities	<u>\$37,185</u>				<u>\$65,368</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

For the year ended December 31, 2022

	Beginning balance as of Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Income tax relating to components of other comprehensive income	Exchange adjustment	Ending balance as of Dec. 31, 2022
Temporary differences					
Unrealized loss on inventory valuation	\$11,557	\$2,495	\$-	\$-	\$14,052
Unrealized exchange loss (gain)	1,147	859	-	-	2,006
Investment accounted for using the equity method	(12,704)	(3,354)	-	-	(16,058)
Other	(12,356)	(7,023)	-	(13)	(19,392)
Deferred tax income/ (expense)		<u>\$(7,023)</u>	<u>\$-</u>	<u>\$(13)</u>	
Net deferred tax assets/(liabilities)	<u>\$(12,356)</u>				<u>\$(19,392)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$13,305</u>				<u>\$17,793</u>
Deferred tax liabilities	<u>\$25,661</u>				<u>\$37,185</u>

D. The relevant information of the unused income tax offset (loss deduction) of the subsidiary within the group is as follows:

Year	Deduction amount	Unused balance		Last offset year
		For the year ended December 31,		
		2023	2022	
2021	\$383	\$383	\$383	2031
2022	4,062	4,062	4,062	2032
2023	643	643	-	2033
		\$5,088	\$4,445	

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

E. Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$166,250 thousand and NT\$164,987 thousand, respectively.

F. The assessment of income tax return

	The assessment of income tax return
The Company	Assessed and approved up to 2021.
Subsidiary – BeautyTech Platform Corporation	Assessed and approved up to 2021.
Subsidiary – Mayin Investment Co., Ltd.	Assessed and approved up to 2021.
Subsidiary – FacialBeau International Corporation	Assessed and approved up to 2021.

(24) 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.

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

A. Basic earnings per share

	For the year ended December 31,	
	2023	2022
Net income available to common shareholders of the parent	\$1,655,902	\$1,542,135
Weighted average number of common stocks outstanding (in thousand shares)	72,542	70,000
Basic earnings per share (in NT\$)	\$22.83	\$22.03

B. Diluted earnings per share

Net income available to common shareholders of the parent	\$1,655,902	\$1,542,135
Net income available to common shareholders of the parent after dilution	\$1,655,902	\$1,542,135
Weighted average number of common stocks outstanding (in thousand shares)	72,542	70,000
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	682	602
Weighted average number of common stocks outstanding after dilution (in thousand shares)	73,224	70,602
Diluted earnings per share (in NT\$)	\$22.61	\$21.84

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

7.RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

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

(2)Significant transactions with related parties

A.Sales

Related parties	For the year ended December 31,	
	2023	2022
Kinsus Interconnect Technology Corp.	\$485	\$228
Pegatron Corporation	13	-
Total	\$498	\$228

Selling prices is set by the fixed price for sale to other customers and taking into account the cost of its after-sales services plus reasonable profit. Collection terms for related parties were 90 days after monthly closing and 30 days after monthly closing, respectively.

B. Lease-related parties

a.Right-of-use assets

Related parties	Nature	As of December 31,	
		2023	2022
Pegatron Japan Inc.	Buildings	\$-	\$331
Pegatron Corporation	Buildings	165,302	264,484
Total		\$165,302	\$264,815

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

b. Lease liabilities

Related parties	As of December 31,	
	2023	2022
Pegatron Japan Inc.	\$-	\$333
Pegatron Corporation	166,949	265,533
Total	<u>\$166,949</u>	<u>\$265,866</u>

c. Interest expenses

Related parties	For the year ended December 31,	
	2023	2022
Pegatron Japan Inc.	\$9	\$6
Pegatron Corporation	2,537	2,343
Total	<u>\$2,546</u>	<u>\$2,349</u>

d. Lease payment (Rental expense)

Related parties	Nature	For the year ended December 31,	
		2023	2022
Pegatron Corporation	short-term leases	<u>\$195</u>	<u>\$33,945</u>

C. Operating expense

Related parties	Nature	For the year ended December 31,	
		2023	2022
Pegatron Corporation	Provide services	<u>\$-</u>	<u>\$193</u>
Pegatron Corporation	Pay utilities	<u>\$106,187</u>	<u>\$94,295</u>
Pegatron Japan Inc.	Provide services and pay utilities and postage	<u>\$96</u>	<u>\$102</u>
Pegatron CZECH S.R.O.	Provide services	<u>\$150</u>	<u>\$205</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

D.Trade receivables

	As of December 31,	
Related parties	2023	2022
Kinsus Interconnect Technology Corp.	\$145	\$-

E.Refundable deposits

	As of December 31,	
Related parties	2023	2022
Pegatron Corporation	\$10,000	\$10,000

F.Contract Liabilities

	As of December 31,	
Related parties	2023	2022
Kinsus Interconnect Technology Corp.	\$140	\$-

G.Other payables

	As of December 31,	
Related parties	2023	2022
Pegatron Corporation	\$27,658	\$23,570

H.On September 21, 2023, the Company's board of directors resolved to purchase Land and Buildings from the from the related party. Pegatron Corporation, and the total transaction amounted to NT\$3,040,000 thousand. As of December 31, 2023, NT\$600,000 thousand had been paid.

I.Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2023	2022
Short-term employee benefits and post-employment benefits	\$48,207	\$43,394

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

8. ASSETS PLEDGED AS COLLATERAL

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

Item	Carrying Amount As of December 31,		Secured liabilities
	2023	2022	
Property, plant and equipment – Land (carrying amount)	\$196,960	\$196,960	Secured borrowings
Property, plant and equipment – Buildings (carrying amount)	112,677	124,544	Secured borrowings
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	<u>\$311,637</u>	<u>\$323,504</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2023, 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
Lands	\$1,912,290	\$600,000	\$1,312,290
Buildings	2,967,081	1,307,830	1,659,251
Machinery and equipment	22,500	6,750	15,750
Right-of-use asset – land	270,380	161,852	108,528
Total	<u>\$5,172,251</u>	<u>\$2,076,432</u>	<u>\$3,095,819</u>

The payment was recorded under construction in progress, equipment awaiting inspection and prepayment for right-of assets.

10. LOSSES DUE TO MAJOR DISASTERS

None

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2023	2022
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$2,635,465	\$666,488
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	1,495,290	1,841,762
Financial assets measured at amortized cost	2,098,369	-
Accounts receivables	831,045	745,195
Other receivables	34,630	5,523
Refundable deposits	62,931	67,809
Subtotal	4,522,265	2,660,289
Total	<u>\$7,157,730</u>	<u>\$3,326,777</u>

Financial liabilities

	As of December 31,	
	2023	2022
Financial liabilities at amortized cost:		
Short-term borrowings	\$908,620	\$284,467
Payables	1,804,316	1,592,330
Long-term borrowings(including current portion with maturity less than 1 year)	381,496	369,336
Lease liabilities	273,320	363,360
Total	<u>\$3,367,752</u>	<u>\$2,609,493</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 years ended December 31, 2023 and 2022 would decrease/increase by NT\$69 thousand and NT\$5,643 thousand, respectively.

When NTD appreciates/depreciates against CNY by 1%, net income (loss) for the years ended December 31, 2023 and 2022 would decrease/increase by NT\$902 thousand and NT\$511 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 years ended December 31, 2023 and 2022 would increase /decrease by NT\$533 thousand and NT\$155 thousand, respectively.

(4)Credit risk management

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

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

As of December 31, 2023 and 2022, receivables from the top ten customers were accounted for 79.56% and 73.91% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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

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

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

(5)Liquidity risk management

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
<u>As of December 31, 2023</u>							
Borrowings	\$944,655	\$20,425	\$31,707	\$79,527	\$71,457	\$286,336	\$1,434,107
Payables	1,804,316	-	-	-	-	-	1,804,316
Lease Liabilities	135,797	91,115	17,811	11,905	8,382	13,220	278,230
<u>As of December 31, 2022</u>							
Borrowings	\$296,456	\$25,058	\$44,659	\$47,518	\$45,647	\$241,002	\$700,340
Payables	1,592,330	-	-	-	-	-	1,592,330
Lease Liabilities	135,582	125,779	83,335	9,905	6,088	8,775	369,464

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2023:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2023	\$284,467	\$369,336	\$974	\$363,360	\$1,018,137
Cash flows	624,153	12,079	30	(141,084)	495,178
Non-cash changes					
Lease range changes	-	-	-	47,677	47,677
Interests on lease liabilities	-	-	-	3,643	3,643
Others	-	81	-	-	81
Currency rate change	-	-	-	(276)	(276)
As of December 31, 2023	<u>\$908,620</u>	<u>\$381,496</u>	<u>\$1,004</u>	<u>\$273,320</u>	<u>\$1,564,440</u>

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

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

(7)Fair values of financial instruments

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

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

- a.The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity.
- b.For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds).

c. Fair value of equity instruments without market quotations, bank borrowing and other non-current liabilities are determined based on the counterparty prices or valuation method (including private placement of listed equity securities, unquoted public Group and private Group equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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Notes to Consolidated Financial Statements (Continued)

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

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

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

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

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Money market fund	\$2,635,465	\$-	\$-	\$2,635,465
<u>Financial liabilities:</u>				
None				

As of December 31, 2022

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

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

As of December 31,						
2023			2022			
Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD	
<u>Financial assets</u>						
Monetary items:						
USD	\$32,068	30.5667	\$980,221	\$30,245	30.7175	\$929,038
CNY	\$49,276	4.3388	\$213,797	\$28,276	4.4105	\$124,713
<u>Financial liabilities</u>						
Monetary items:						
USD	\$31,679	30.7250	\$973,333	\$11,874	30.7175	\$364,753
CNY	\$28,495	4.3380	\$123,611	\$16,679	4.4105	\$73,563
<u>Foreign currency resulting in exchange gain or loss</u>						
USD		\$5,990	USD			\$32,964
CNY		\$(397)	CNY			\$1,205
Other		\$(39)	Other			\$(2,539)

(10) Capital management

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

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

C. Marketable securities held as of December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: Please refer to attachment 3.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: Please refer to attachment 5.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023: Please refer to attachment 6.

I. Derivative instrument transactions: None.

J. InterGroup relationships and significant interGroup transactions for the year ended December 31, 2023: Please refer to attachment 11.

(2) Information on investees

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

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

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Marketable securities held as of December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 9.

d. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

e. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: Please refer to attachment 8.

f. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

g. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: Please refer to attachment 10.

h. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31 2023: 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 of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Pegavision (Jiangsu) Limited	Producing and selling medical equipment	\$101,205 (USD 3,500)	(1)	\$85,620	\$15,585	\$-	\$101,205	\$(9,964) (Note 5 and 6)	100%	\$(9,964) (Note 5, 6 and 7)	\$83,328 (Note 5, 6 and 7)	\$-	\$101,205	\$101,205	\$5,988,144

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

BeautyTech Platform (Shanghai) Corporation	Selling medical equipment and cosmetic products	\$14,885 (USD 500)	(3) (Note 2)	\$14,885	\$-	\$-	\$14,885	\$577 (Note 5 and 6)	85%	\$490 (Note 5, 6 and 7)	\$24,940 (Note 5, 6 and 7)	\$-	\$14,885	\$14,885	\$219,761
Pegavision Contact Lenses (Shanghai) Corporation	selling medical equipment	\$112,559 (USD 3,600)	(3) (Note 3)	\$112,559	\$-	\$-	\$112,559	\$37,965 (Note 5 and 6)	85%	\$32,270 (Note 5, 6 and 7)	\$109,540 (Note 5, 6 and 7)	\$-	\$95,043	\$95,043	
Gemvision Technology (Zhejiang) Limited	selling medical equipment	\$95,437 (RMB 22,000) (Note 5)	(3) (Note 4)	\$-	\$-	\$-	\$-	\$41,302 (Note 5 and 6)	85%	\$35,107 (Note 5, 6 and 7)	\$102,813 (Note 5, 6 and 7)	\$-	\$-	\$-	

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

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

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

Pegavision Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

B. Significant transactions with investees in China:

- a. Purchase and balances of related accounts payable as of December 31, 2023: None.
- b. Sale and balance of related accounts receivable as of December 31, 2023: Please refer to attachment 11.
- c. Property transaction amounts and resulting gain or loss: None.
- d. Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- e. Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- f. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 11.
- g. Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 11 for details.

(4) Information on major shareholders

Major shareholders \ Shares	Shares	%
Kinsus Investment Co., Ltd.	21,233,736	27.22%
Asuspover Investment Co., Ltd.	6,372,796	8.17%
Asustek Investment Co., Ltd.	4,934,434	6.32%
The 2022 first discretionary investment account of Labor Pension Fund in First Financial Holding Co., Ltd.	4,789,801	6.14%

14. OPERATING SEGMENT

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

A. Geographical informationRevenues from external customers (Note 1)

	For the year ended December 31,	
	2023	2022
Taiwan	\$881,477	\$768,509
Other Asian countries	5,550,628	5,165,274
Other countries	357,756	387,415
Total	\$6,789,861	\$6,321,198

Note 1: The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31,	
	2023	2022
Taiwan	\$5,583,602	\$5,407,848
China	102,211	96,851
Vietnam	161,852	-
Japan	15,429	467
Total	\$5,863,094	\$5,505,166

B. Information about major customers

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

Name of customers	For the year ended December 31,	
	2023	2022
Customer A	\$1,781,748	\$1,621,890

Pegavision Corporation and Subsidiaries
Endorsement/Guarantee Provided to Others
For the Year Ended December 31, 2023

Attachment 1

(In Thousands of New Taiwan Dollars)

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

Note 1: The Company is coded "0".

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

Pegavision Corporation and Subsidiaries

Marketable Securities Held as of December 31, 2023 (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 September 30, 2023			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
Pegavision Corporation	Money market funds:							
	Yuanta Wan-Tai Money Market Fund	-	Financial assets at fair value through profit or loss	6,400,626	\$99,464	-%	\$99,550	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	6,475,107	108,390	-%	108,558	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	88,870,417	1,145,000	-%	1,146,384	
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	67,078,751	1,054,557	-%	1,055,719	
	Add: Valuation Adjustment				2,800			
	Total				<u>\$2,410,211</u>		<u>\$2,410,211</u>	

Pegavision Corporation and Subsidiaries

Individual Securities Acquired or Disposed of with accumulated amount of At Least NT\$300 Million or 20% of The Paid-In Capital

For the Year Ended December 31, 2023

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Note
		Account			Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount	
Pegavision Corporation	Money Market Funds:														
	Yuanta Wan-Tai	Financial assets at fair value	-	-	17,190,427	<u>\$264,208</u>	40,450,950	<u>\$623,500</u>	51,240,751	<u>\$790,500</u>	<u>\$788,036</u>	<u>\$2,464</u>	6,400,626	<u>\$99,550</u>	Note
	Money Market Fund	through profit or loss									<u>\$(122)</u>				
	Yuanta De-Li	Financial assets at fair value	-	-	18,482,095	<u>\$306,237</u>	30,343,170	<u>\$504,500</u>	42,350,158	<u>\$704,500</u>	<u>\$702,110</u>	<u>\$2,390</u>	6,475,107	<u>\$108,558</u>	Note
	Money Market Fund	through profit or loss									<u>\$(69)</u>				
	Mega Diamond	Financial assets at fair value	-	-	-	<u>\$-</u>	192,441,379	<u>\$2,475,000</u>	103,570,962	<u>\$1,332,197</u>	<u>\$1,330,000</u>	<u>\$2,197</u>	88,870,417	<u>\$1,146,384</u>	Note
	Money Market Fund	through profit or loss									<u>\$1,384</u>				
	FSITC Taiwan	Financial assets at fair value	-	-	-	<u>\$-</u>	273,100,204	<u>\$4,280,224</u>	206,021,453	<u>\$3,230,800</u>	<u>\$3,225,667</u>	<u>\$5,133</u>	67,078,751	<u>\$1,055,719</u>	Note
	Money Market Fund	through profit or loss									<u>\$1,162</u>				

Note: Which is adjustments related to financial assets based on the fair value method.

Pegavision Corporation and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

As of December 31, 2023

Attachment 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note 1)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Pegavision Corporation	Land	2023.9.21	\$1,912,290	By Contract	Pegatron Corporation	Ultimate parent company	ASUSTeK Computer Incorporation	Non-related party	2008.1	Note 2	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None
	Buildings	2023.9.21	1,127,710	By Contract	Pegatron Corporation	Ultimate parent company	ASUSTeK Computer Incorporation	Non-related party	2008.1	Note 2	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None
	Total		<u>\$3,040,000</u> (Note 3)										

Note 1: 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.

Note 2: The total amount was NT\$1,415,191 thousand.

Note 3: As of December 31, 2023, NT\$600,000 thousand had been paid.

Pegavision Corporation and Subsidiaries

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

For the Year Ended December 31, 2023

Attachment 5

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	Sales	\$2,961,338	49.55%	90 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$584,894	54.70%	Note
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	Sales	\$296,073	4.95%	Within 120 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$114,430	10.70%	Note
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	Sales	\$274,483	4.59%	Within 180 days after monthly closing	Similar to those to third party customers.	T/T to 90 days after monthly closing	Accounts receivable \$59,203	5.54%	Note

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

Pegavision Corporation and Subsidiaries

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

As of December 31, 2023

Attachment 6

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss allowance
					Amount	Action Taken		
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	\$584,894 (Note)	6.44	\$-	-	\$313,519	\$-
Pegavision Corporation	BeautyTech Platform Corporation	Subsidiary	\$114,430 (Note)	2.77	\$-	-	\$-	\$-

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

Pegavision Corporation and Subsidiaries
Investees over Whom the Company Exercise Significant Influence or Control (Excluding Investees in Mainland China)
As of December 31, 2023

Attachment 7

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares	%	Carrying Value			
Pegavision Corporation	Pagavision Japan Inc.	Japan	Selling medical equipment	JPY 9,900	JPY 9,900	198 shares	100.00%	\$129,255	\$42,034	\$42,034	Note
Pegavision Corporation	Mayin Investment Co. , Ltd.	Taiwan	Investing activities	NTD 246,003	NTD 246,003	21,000,000 shares	100.00%	\$468,615	\$128,085	\$128,085	Note
Pegavision Corporation	PEGAVISION VIETNAM COMPANY LIMITED	Vietnam	Producing and selling medical equipment	NTD 170,830	Not applicable	-	100.00%	\$166,639	\$(3)	\$(3)	Note
Pegavision Corporation	Zhuhe Investment Co., Ltd.	Taiwan	Investing activities	NTD 20,000	Not applicable	2,000,000 shares	11.76%	\$19,817	\$(1,557)	\$(183)	
Mayin Investment Co. , Ltd.	BeautyTech Platform Corporation	Taiwan	Selling medical equipment and cosmetic products	NTD 107,500	NTD 107,500	8,500,000 shares	85.00%	\$311,329	\$156,991	\$133,442	Note
Mayin Investment Co. , Ltd.	FacialBeau International Corporation	Taiwan	Selling medical equipment and cosmetic products	NTD 27,500	NTD 27,500	2,750,000 shares	55.00%	\$24,970	\$(922)	\$(507)	Note
BeautyTech Platform Corporation	Beautytech Platform (Singapore) Pte. Ltd.	Singapore	Selling medical equipment and cosmetic products	USD 200	USD 200	200,000 shares	100.00%	\$6,228	\$(109)	\$(109)	Note
FacialBeau International Corporation	Aquamax Vision Corporation	USA	Selling medical equipment and cosmetic products	USD 1,100	USD 1,100	11,000,000 shares	100.00%	\$6,683	\$(217)	\$(217)	Note
FacialBeau International Corporation	RODNA Co., Ltd.	Korea	Selling medical equipment and cosmetic products	KRW 100,000	KRW 100,000	-	100.00%	\$2,224	\$(57)	\$(57)	Note
FacialBeau International Corporation	IKIDO Inc.	Japan	Selling medical equipment and cosmetic products	JPY 9,900	Not applicable	198 shares	100.00%	\$2,059	\$(93)	\$(93)	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 December 31, 2023

Attachment 8

(In Thousands of Foreign Currency / New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note 1)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
PEGAVISION VIETNAM COMPANY LIMITED	Right-of-use asset — land	2023.7.5	USD \$8,800 (Note 2)	By Contract	GREEN i-PARK CORPORATION	None	None	None	None	None	The transaction amount refer to professional appraisal institutions.	Capacity expansion	None

Note 1: 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.

Note 2: A deposit of NT\$161,853 thousand (US\$5,280 thousand) had been paid.

Pegavision Corporation and Subsidiaries

Marketable Securities Held as of December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures)

Attachment 9

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2023			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
Mayin Investment Co. , Ltd.	Money market funds:							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	392,329	\$5,000	-	\$5,061	
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	1,653,209	26,000	-	26,019	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	502,952	8,360	-	8,432	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	2,221,592	34,235	-	34,553	
BeautyTech Platform Corporation	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	8,932,500	140,000	-	140,584	
FacialBeau International Corporation	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	673,797	10,600	-	10,605	
	Add: Valuation Adjustment				1,059			
	Total				<u>\$225,254</u>		<u>\$225,254</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 Year Ended December 31, 2023

Attachment 10

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Pegavision Japan Inc.	Pegavision Corporation	Subsidiary	Purchase	\$2,961,338	100.00%	90 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$584,894	100.00%	Note
BeautyTech Platform Corporation	Pegavision Corporation	Subsidiary	Purchase	\$296,073	77.17%	Within 120 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$114,430	94.37%	Note
Gemvision Technology (Zhejiang) Limited	Pegavision Corporation	Subsidiary	Purchase	\$274,483	95.74%	Within 180 days after monthly closing	No suppliers to be compared with	No suppliers to be compared with	Accounts payable \$59,203	97.39%	Note

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

Pegavision Corporation and Subsidiaries
Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2023

Attachment 11
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	<u>2023.01.01~2023.12.31</u>						
0	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	\$2,961,338	90 days after monthly closing	43.61%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	584,894	90 days after monthly closing	4.22%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Sales revenue	23,274	Within 180 days after monthly closing	0.34%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Accounts receivable	14,488	Within 180 days after monthly closing	0.10%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Other payable	6,089	Within 180 days after monthly closing	0.04%
0	Pegavision Corporation	Pegavision (Jiangsu) Limited	1	Operating expense	19,615	Within 180 days after monthly closing	0.29%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Sales revenue	274,483	Within 180 days after monthly closing	4.04%
0	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	1	Accounts receivable	59,203	Within 180 days after monthly closing	0.43%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Sales revenue	296,073	Within 120 days after monthly closing	4.36%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Accounts receivable	114,430	Within 120 days after monthly closing	0.83%
0	Pegavision Corporation	BeautyTech Platform Corporation	1	Operating expense	54,092	Within 120 days after monthly closing	0.80%
0	Pegavision Corporation	FacialBeau International Corporation	1	Sales revenue	46,353	Within 90 days after monthly closing	0.68%
0	Pegavision Corporation	FacialBeau International Corporation	1	Accounts receivable	12,293	Within 90 days after monthly closing	0.09%
1	Mayin Investment Co., Ltd	BeautyTech Platform Corporation	3	Rent income	12,000	T/T in advance	0.18%
2	FacialBeau International Corporation	BeautyTech Platform Corporation	3	Sales revenue	61,360	Within 30 days after monthly closing	0.90%
3	BeautyTech Platform Corporation	Gemvision Technology (Zhejiang) Limited	3	Sales revenue	12,881	Within 180 days after monthly closing	0.19%
4	BeautyTech Platform (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Service revenue	45,036	30 days after monthly closing	0.66%

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

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

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

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

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

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

Note 5: Transactions exceeding NT\$5,000 thousand have been disclosed.