Stock Code:6782

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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Representation Letter

The entities that are required to be included in the combined financial statements of Visco Vision Inc. as of and for the year ended December 31, 2022 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 International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Visco Vision Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Visco Vision Inc.
Chung-Yi (James) Lee
Chairman
March 3, 2023

Independent Auditors' Report

To the Board of Directors of Visco Vision Inc.:

Opinion

We have audited the consolidated financial statements of Visco Vision Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Visco Vision Inc. and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the 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 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 Visco Vision Inc. and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for Visco Vision Inc. and its subsidiaries' consolidated financial statements for the year ended December 31, 2022 are stated as follows:

1. Revenue recognition

   Please refer to note 4(n) for the accounting policy on revenue recognition and note 6(s) for related disclosures of revenue recognition, respectively, of the notes to the consolidated financial statements.

   <u>Description of key audit matter:</u>

   Visco Vision Inc. and its subsidiaries deal with customers located in different geographic areas worldwide and have various trade terms with customers. Revenue is recognized at the timing of transferring control of goods to customers, which is identified based on each individual sale transaction and trade term. Therefore, revenue recognition has been identified as one of the key audit matters.

   <u>How the matter was addressed in our audit:</u>

   In relation to the key audit matter above, our principal audit procedures included testing Visco Vision Inc. and its subsidiaries' internal controls over financial reporting in the sales and collection cycle; ensuring the correctness of the timing of revenue recognition through understanding of trade terms between Visco Vision Inc. and its subsidiaries and their customers as well as performing a sample test of related transaction documents; performing trend analysis on revenue and performing a sample test on sales transactions that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition.

2. Impairment of goodwill

   Please refer to note 4(l) for the accounting policies on impairment of non-financial assets, note 5 for the uncertainty of accounting estimations and assumptions for goodwill impairment, and note 6(h) for related disclosures of impairment test of goodwill, respectively, of the notes to the consolidated financial statements.

   <u>Description of key audit matter:</u>

   Goodwill arising from the acquisition of From-eyes Co., Ltd. is subject to an impairment test annually or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of cash generating units that include goodwill involves management' s judgement and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

   <u>How the matter was addressed in our audit:</u>

   In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of impairment of goodwill provided by the management; assessing the appropriateness of the estimation base and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and test results and assessing the adequacy of Visco Vision Inc. and its subsidiaries' disclosures with respect to the related information on goodwill impairment.

Other Matter

Visco Vision Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have audited and expressed an unqualified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the 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 Visco Vision Inc. and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Visco Vision Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing Visco Vision Inc. and its subsidiaries' financial reporting process.

Auditors' 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 auditors' 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 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 Visco Vision Inc. and its subsidiaries' internal control.

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 Visco Vision Inc. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Visco Vision Inc. 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 disclosures, 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 Visco Vision Inc. 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 the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Wen Kao and Huei-Chen Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 3, 2023

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,801,461	34	351,005	11
1170	Accounts receivable, net (notes 6(b) and (s))	264,962	5	264,343	9
1180	Accounts receivable from related parties (notes 6(b), (s) and 7)	34,981	1	48,346	2
1200	Other receivables (notes 6(b), (c), 7 and 8)	38,723	1	4,961	-
130X	Inventories (note 6(d))	461,985	8	290,699	9
1476	Other financial assets－current (notes 6(a) and 8)	11,045	-	10,363	-
1479	Prepayments and other current assets	38,548	1	29,216	1
	Total current assets	2,651,705	50	998,933	32
	Non-current assets:				
1600	Property, plant and equipment (notes 6(f), 7 and 8)	1,764,271	33	1,215,191	39
1755	Right-of-use assets (notes 6(g), 7 and 8)	442,478	8	426,075	14
1780	Intangible assets (notes 6(e) and (h))	147,293	3	145,539	5
1840	Deferred income tax assets (note 6(o))	151,577	3	170,727	5
1915	Prepayments for construction and equipment	131,759	3	171,386	5
1980	Other financial assets－non-current	2,872	-	1,544	-
1990	Other non-current assets	2,040	-	-	-
	Total noncurrent assets	2,642,290	50	2,130,462	68
	Total assets	**$ 5,293,995**	**100**	**3,129,395**	**100**

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(i))	$ 46,600	1	48,080	2
2130	Contract liabilities－current (note 6(s))	20,905	-	9,672	-
2170	Notes and accounts payable	156,703	3	136,183	4
2180	Accounts payable to related parties (note 7)	31,530	1	42,256	1
2213	Payables on equipment	81,007	2	312,072	10
2219	Other payables (notes 6(m), (t) and 7)	409,282	8	221,128	7
2250	Provisions－current (note 6(j))	20,278	-	15,024	1
2280	Lease liabilities－current (notes 6(k) and 7)	19,715	-	9,357	-
2322	Current portion of long-term debt (notes 6(l) and 8)	163,066	3	244,321	8
2399	Other current liabilities	7,222	-	1,617	-
	Total current liabilities	956,308	18	1,039,710	33
	Non-current liabilities:				
2540	Long-term debt (notes 6(l) and 8)	1,161,251	21	882,491	28
2570	Deferred income tax liabilities (note 6(o))	17,061	-	18,059	-
2580	Lease liabilities－non-current (notes 6(k) and 7)	25,005	1	23,150	1
2612	Long-term payables (note 6(m))	25,630	1	52,668	2
	Total non-current liabilities	1,228,947	23	976,368	31
	Total liabilities	2,185,255	41	2,016,078	64
	Equity attributable to shareholders of the Company (note 6(p)):				
3110	Common stock	630,000	12	547,267	18
3200	Capital surplus	1,431,007	27	38,040	1
	Retained earnings:				
3310	Legal reserve	96,866	2	52,503	2
3320	Special reserve	216,467	4	110,456	3
3350	Unappropriated earnings	829,668	16	581,518	19
		1,143,001	22	744,477	24
3400	Other equity	(119,796)	(2)	(216,467)	(7)
	Total equity attributable to shareholders of the Company	3,084,212	59	1,113,317	36
36XX	**Non-controlling interests**	24,528	-	-	-
	Total equity	3,108,740	59	1,113,317	36
	Total liabilities and equity	**$ 5,293,995**	**100**	**3,129,395**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	**Net sales (notes 6(s), 7 and 14)**	$ 2,777,524	100	1,964,499	100
5000	**Cost of sales (notes 6(d), (f), (g), (j), (n), (t), 7 and 12)**	(1,544,792)	(56)	(1,125,164)	(57)
	Gross profit	1,232,732	44	839,335	43
	Operating expenses (notes 6(b), (f), (g), (h), (k), (n), (q), (t), 7 and 12):				
6100	Selling expenses	(158,925)	(5)	(177,986)	(9)
6200	Administrative expenses	(199,681)	(7)	(133,022)	(7)
6300	Research and development expenses	(160,675)	(6)	(121,831)	(6)
6450	Expected credit loss	(3,530)	-	-	-
	Total operating expenses	(522,811)	(18)	(432,839)	(22)
	Operating income	709,921	26	406,496	21
	Non-operating income and loss (notes 6(c), (k), (u) and 7):				
7100	Interest income	1,274	-	260	-
7010	Other income	15,132	-	-	-
7020	Other gains and losses	18,595	1	19,005	1
7050	Finance costs	(32,133)	(1)	(21,472)	(1)
	Total non-operating income and loss	2,868	-	(2,207)	-
7900	**Income before income tax**	712,789	26	404,289	21
7950	Income tax benefit (expense) (note 6(o))	(98,780)	(4)	39,343	2
8200	**Net income**	614,009	22	443,632	23
	Other comprehensive income (loss):				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations (note 6(p))	96,671	3	(106,011)	(6)
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Other comprehensive income (loss) for the year, net of income tax	96,671	3	(106,011)	(6)
8500	**Total comprehensive income for the year**	**$ 710,680**	**25**	**337,621**	**17**
	Net income attributable to:				
8610	Shareholders of the Company	$ 617,431	22	443,632	23
8620	Non-controlling interests	(3,422)	-	-	-
		$ 614,009	**22**	**443,632**	**23**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 714,102	25	337,621	17
8720	Non-controlling interests	(3,422)	-	-	-
		$ 710,680	**25**	**337,621**	**17**
	Earnings per share (note 6(r)):				
9750	Basic earnings per share	**$ 11.11**		**8.11**	
9850	Diluted earnings per share	**$ 11.07**		**8.08**	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company									
			Retained earnings				Other equity			
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation differences	Total equity of the Company	Non-controlling interests	Total equity
Balance at January 1, 2021	$ 547,267	38,040	39,696	-	321,348	361,044	(110,456)	835,895	-	835,895
Net income in 2021	-	-	-	-	443,632	443,632	-	443,632	-	443,632
Other comprehensive loss in 2021	-	-	-	-	-	-	(106,011)	(106,011)	-	(106,011)
Total comprehensive income (loss) in 2021	-	-	-	-	443,632	443,632	(106,011)	337,621	-	337,621
Appropriation of earnings:										
Legal reserve	-	-	12,807	-	(12,807)	-	-	-	-	-
Special reserve	-	-	-	110,456	(110,456)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(60,199)	(60,199)	-	(60,199)	-	(60,199)
Balance at December 31, 2021	547,267	38,040	52,503	110,456	581,518	744,477	(216,467)	1,113,317	-	1,113,317
Net income in 2022	-	-	-	-	617,431	617,431	-	617,431	(3,422)	614,009
Other comprehensive income in 2022	-	-	-	-	-	-	96,671	96,671	-	96,671
Total comprehensive income (loss) in 2022	-	-	-	-	617,431	617,431	96,671	714,102	(3,422)	710,680
Appropriation of earnings:										
Legal reserve	-	-	44,363	-	(44,363)	-	-	-	-	-
Special reserve	-	-	-	106,011	(106,011)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(218,907)	(218,907)	-	(218,907)	-	(218,907)
Capital increase by cash	82,733	1,392,260	-	-	-	-	-	1,474,993	-	1,474,993
Share-based compensation cost	-	707	-	-	-	-	-	707	-	707
Acquisition of subsidiary	-	-	-	-	-	-	-	-	27,950	27,950
Balance at December 31, 2022	**$ 630,000**	**1,431,007**	**96,866**	**216,467**	**829,668**	**1,143,001**	**(119,796)**	**3,084,212**	**24,528**	**3,108,740**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	$ 712,789	404,289
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	304,479	211,713
Amortization	31,552	30,038
Expected credit loss	3,530	-
Interest expense	32,133	21,472
Interest income	(1,274)	(260)
Share-based compensation cost	707	-
Gain on disposal of property, plant and equipment	-	(20)
Unrealized foreign exchange gain	(1,551)	(11,462)
Gain on reversal of termination loss for prepayments for land	-	(21,539)
Gain on lease modifications	-	(472)
Total adjustments for profit or loss	369,576	229,470
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(619)	(62,386)
Accounts receivable from related parties	10,259	(18,606)
Other receivables	(33,751)	1,630
Other receivable from related parties	(11)	-
Inventories	(171,226)	(23,265)
Prepayments and other current assets	(6,788)	(2,193)
Other non-current assets	(2,040)	-
Total changes in operating assets	(204,176)	(104,820)
Changes in operating liabilities:		
Contract liabilities	11,233	7,476
Accounts payable	20,520	19,082
Accounts payable to related parties	(10,726)	23,839
Other payables	111,903	65,689
Other payables to related parties	424	(402)
Provisions	5,254	(9,330)
Other current liabilities	3,572	(2,317)
Total changes in operating liabilities	142,180	104,037
Total changes in operating assets and liabilities	(61,996)	(783)
Total adjustments	307,580	228,687
Cash provided by operations	1,020,369	632,976
Interest received	1,274	260
Interest paid	(30,132)	(20,836)
Income taxes paid	(6,385)	(4,735)
Net cash provided by operating activities	985,126	607,665

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Additions to property, plant and equipment (including prepayments for construction and equipment)	(931,950)	(532,639)
Proceeds from disposal of property, plant and equipment	-	20
Additions to intangible assets	(4,947)	(9,158)
Net cash received from business combination	2,081	-
Additions to right-of-use assets	-	(369,866)
Increase in other financial assets	(1,670)	(236)
Decrease in payables on acquisition considerations	(26,521)	(30,162)
Return of prepayments on land-use rights and buildings	-	193,848
Net cash used in investing activities	(963,007)	(748,193)
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(33,397)
Increase in long-term debt	1,020,000	709,700
Repayments of long-term debt	(852,201)	(316,038)
Payment of lease liabilities	(14,884)	(12,528)
Cash dividends distributed to shareholders	(218,907)	(60,199)
Capital increase by cash	1,474,993	-
Net cash provided by financing activities	1,409,001	287,538
Effects of exchange rate changes	19,336	(32,627)
Net increase in cash and cash equivalents	1,450,456	114,383
Cash and cash equivalents at beginning of year	351,005	236,622
Cash and cash equivalents at end of year	$ **1,801,461**	**351,005**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

VISCO VISION INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

Visco Vision Inc. (the "Company") was incorporated on November 9, 1998, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 1, Xingye St., Guishan, Taoyuan, Taiwan. The Company and its subsidiaries (collectively the "Group") are mainly engaged in the manufacture and sale of disposable contact lenses.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 3, 2023.

3. Application of new and revised accounting standards and interpretations

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022.

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC.

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments have removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	After reconsidering certain aspects of the 2020 amendments, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability' s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(Continued)

VISCO VISION INC. AND SUBSIDIARIES
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4. Summary of significant accounting policies

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases. All inter-company balances, transactions, and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, the financial statements of subsidiaries are adjusted to align the accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

(Continued)

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(ii) List of subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2022	Percentage of Ownership December 31, 2021	Notes
The Company	Visco Technology Sdn. Bhd. (“VVM”)	Manufacture and sale of contact lenses	100.00 %	100.00 %	-
The Company	From-eyes Co., Ltd. (“From-eyes”)	Sale of contact lenses	100.00 %	100.00 %	-
The Company	Trend Young Trading (Shanghai) Limited Company (“TYC”)	Sale of contact lenses	100.00 %	-	Note 1
The Company	Trend Young Vision Care Inc. (“VCT”) (formerly Apaugasma Medical Technology Inc.)	Medical management services	55.00 %	-	Note 2
VVM	Visco Med Sdn. Bhd. (“VMM”)	Lease management services	100.00 %	100.00 %	-

Note 1: TYC was established in December 2021 while the capital injection was in January 2022.
Note 2: On April 22, 2022, the Group obtained control over VCT, and VCT became a subsidiary of the Group. Accordingly, VCT was included in the accompanying consolidated financial statements since then.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group’s consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group’s consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

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When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets:

(i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting period; or
(iv) The asset is cash or a 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.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) 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 issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(Continued)

(g) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

The Group's financial assets are classified as measured at amortized cost on initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

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In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features)

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables and other financial assets).

The Group measures loss allowances at an amount equal to lifetime (ECL), except for the following financial assets which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This information includes both quantitative and qualitative information and analysis based on the Group’s historical experience and credit assessment, as well as forward-looking information.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iii) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes all necessary expenditure incurred in bringing them to the location and condition ready for sale. Net realized value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows: buildings: 29 to 50 years; leasehold improvements: 1 to 10 years; machinery and equipment: 2 to 6 years; other equipment: 4 to 6 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(Continued)

(j) Leases

At inception of a contract, the Group assesses whether a 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.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

(Continued)

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Please refer to note 4(r) for the description of the measurement of goodwill at initial recognition. Goodwill is not amortized but is measured at cost, less, accumulated impairment losses.

(ii) Other intangible assets

Sales licenses, brand name and customer relationships acquired in a business combination are measured at fair value at the acquisition date. Subsequent to the initial recognition, such intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Other separately acquired intangible assets are carried at cost, less, accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives: acquired software: 2 to 5 years; sales licenses: 5 years; brand name: 5 years; customer relationships: 8 years.

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(l) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(m) Provisions

Provisions for warranties are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation and when the underlying products are sold.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) Sale of goods

The Group recognizes revenue when control of the goods has been transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss that have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group provides warranty to customers to assure the replacement of goods when there are defects incurred with the goods that conforms to the agree-upon specification and recognizes warranty provision accordingly.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Rendering of services

The Group' s revenue from provision of research and development of new products is recognized in the period in which the services are rendered.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment made by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(Continued)

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The grant date for share-based payment arrangement is the date when the Group informs employees the exercise price and the shares to which employees can subscribe.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

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Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Business combination

The Group accounts for business combinations using the acquisition method. Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

(Continued)

VISCO VISION INC. AND SUBSIDIARIES

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If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(s) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares are employee stock options and profit sharing for employees to be settled in the form of common stock.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates in response to changed economic conditions or business strategies could result in significant adjustments in future years.

(Continued)

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 32	61
Demand deposits and checking accounts	1,163,451	350,944
Time deposits with original maturities less than three months	637,978	-
	$ 1,801,461	**351,005**

As of December 31, 2022 and 2021, the time deposits with original maturities more than three months amounted to $11,045 and $10,363, respectively, which were classified as other financial assets－current.

(b) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	$ 264,962	264,343
Accounts receivable from related parties	59,216	48,346
	324,178	312,689
Less: loss allowance	(24,235)	-
	$ 299,943	**312,689**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including receivables from related parties). Forward-looking information is taken into consideration as well. Analysis of expected credit losses on accounts receivable (including receivables from related parties) was as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 258,265	0%~100%	700
Past due 1-30 days	22,450	0%~100%	700
Past due 31-60 days	21,253	0%~100%	700
Past due 61-90 days	700	0%~99%	697
Past due 91-120 days	700	0%~90%	628
Past due over 121 days	20,810	100%	20,810
	$ 324,178		**24,235**

(Continued)

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	December 31, 2021		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 279,552	0%	-
Past due 1-30 days	33,137	0%	-
	$ 312,689		**-**

Movements of the loss allowance for accounts receivable (including receivables from related parties) were as follows:

	2022	**2021**
Balance at January 1	$ -	-
Acquisition through business combination	20,705	-
Impairment loss	3,530	-
Balance at December 31	**$ 24,235**	**-**

The Group entered into factoring contracts with financial institutions to sell its accounts receivable without recourse. According to these contracts, the Group is not responsible for any risk of uncollectible accounts receivable, but only for the loss due to commercial disputes. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The receivables from the financial institutions were recognized as other receivables upon the derecognition of those accounts receivable. Details of these contracts at each reporting date were as follows:

	December 31, 2022					
Underwriting bank	**Amount derecognized**	**Unpaid advance amount**	**Advance amount**	**Amount recognized in other receivables**	**Range of interest rates**	**Significant transferring terms**
Taishin International Bank	**$ 33,982**	**28,885**	**-**	**33,982**	0.45%	Promissory note USD 700 thousand

	December 31, 2021					
Underwriting bank	**Amount derecognized**	**Unpaid advance amount**	**Advance amount**	**Amount recognized in other receivables**	**Range of interest rates**	**Significant transferring terms**
Taishin International Bank	**$ 4,961**	**4,217**	**-**	**4,961**	0.45%	Promissory note USD 700 thousand

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(c) Other receivables

		December 31, 2022	December 31, 2021
Factored accounts receivable	$	33,982	4,961
Others		4,741	-
	$	**38,723**	**4,961**

(d) Inventories

		December 31, 2022	December 31, 2021
Raw materials	$	138,956	114,178
Work in process		195,070	102,863
Finished goods		127,959	73,658
	$	**461,985**	**290,699**

The amounts of inventories recognized as cost of sales were as follows:

		2022	2021
Costs of inventories sold	$	1,538,936	1,110,468
Warranty costs		4,280	10,674
Write-downs of inventories		1,576	4,552
Income from sale of scrap and wastes		-	(530)
	$	**1,544,792**	**1,125,164**

The write-downs of inventories arose from the write-downs of inventories to net realizable value.

(e) Acquisition of subsidiary

(i) Consideration transferred

On April 22, 2022 (the acquisition date), the Group acquired 55% equity ownership of Trend Young Vision Care Inc. (“VCT”) (formerly Apaugasma Medical Technology Inc.), wherein the Group obtained control over VCT and VCT has been included in the Group’s consolidated entities since then. VCT is mainly engaged in the medical management services. The acquisition of VCT enabled the Group to operate in the field of ophthalmology, accelerate its layout with respect to the products and channels and enhance its long-term value.

(Continued)

VISCO VISION INC. AND SUBSIDIARIES
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(ii) Identifiable net assets acquired in a business combination

On April 22, 2022 (the acquisition date), the fair value of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration transferred:		
Cash		$ 44,000
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		27,950
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 46,081	
Accounts receivable, net	424	
Inventories	60	
Prepayments and other current assets	2,633	
Property, plant and equipment	3,572	
Right-of-use assets	12,048	
Intangible assets－management services agreements	18,660	
Intangible assets－patents	4,085	
Other non-current assets	2,830	
Other current liabilities	(2,033)	
Long-term debt (including current portion)	(6,854)	
Lease liabilities (including current and non-current)	(14,883)	
Deferred income tax liabilities	(4,511)	62,112
Goodwill		**$ 9,838**

(iii) Intangible assets

The above-mentioned intangible assets－management services agreements and intangible asset－patents are amortized on a straight-line basis over the estimated economic useful life of 9.69 years and 8 years, respectively.

Goodwill arising from the acquisition of VCT is mainly due to the value of workforce, which does not qualify as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes

(iv) Pro forma information

From April 22, 2022 (the acquisition date) to December 31, 2022, VCT had contributed the revenue of $5,643 and the net loss of $(7,605) to the Group's results. If this acquisition had occurred on January 1, 2022, the management estimates that the consolidated revenue would have been $2,780,039 and consolidated net income after income tax would have been $612,121.

(Continued)

VISCO VISION INC. AND SUBSIDIARIES
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(f) Property, plant and equipment

		Buildings	Machinery	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
Cost:							
Balance at January 1, 2022	$	251,757	1,298,949	74,798	19,381	307,434	1,952,319
Acquisition through business combination		-	-	7,619	499	-	8,118
Additions		-	6,642	5,225	571	727,933	740,371
Disposals		-	(10,631)	-	-	-	(10,631)
Reclassification		59,204	558,886	(58,673)	3,287	(560,073)	2,631
Effect of exchange rate changes		16,828	83,534	-	48	22,792	123,202
Balance at December 31, 2022	**$**	**327,789**	**1,937,380**	**28,969**	**23,786**	**498,086**	**2,816,010**
Balance at January 1, 2021	$	15,680	949,031	49,733	15,528	384,569	1,414,541
Additions		218,640	27,875	1,999	3,163	362,042	613,719
Disposals		-	(10,048)	-	-	-	(10,048)
Reclassification		24,133	390,882	25,742	1,986	(416,921)	25,822
Effect of exchange rate changes		(6,696)	(58,791)	(2,676)	(1,296)	(22,256)	(91,715)
Balance at December 31, 2021	**$**	**251,757**	**1,298,949**	**74,798**	**19,381**	**307,434**	**1,952,319**
Accumulated depreciation:							
Balance at January 1, 2022	$	5,215	681,319	40,005	10,589	-	737,128
Acquisition through business combination		-	-	4,356	190	-	4,546
Depreciation		12,588	256,675	3,856	2,710	-	275,829
Disposals		-	(10,631)	-	-	-	(10,631)
Reclassification		31,442	-	(31,442)	-	-	-
Effect of exchange rate changes		2,455	42,367	-	45	-	44,867
Balance at December 31, 2022	**$**	**51,700**	**969,730**	**16,775**	**13,534**	**-**	**1,051,739**
Balance at January 1, 2021	$	888	546,900	34,445	9,243	-	591,476
Depreciation		4,469	177,844	7,353	2,209	-	191,875
Disposals		-	(10,048)	-	-	-	(10,048)
Effect of exchange rate changes		(142)	(33,377)	(1,793)	(863)	-	(36,175)
Balance at December 31, 2021	**$**	**5,215**	**681,319**	**40,005**	**10,589**	**-**	**737,128**
Carrying amount:							
Balance at December 31, 2022	**$**	**276,089**	**967,650**	**12,194**	**10,252**	**498,086**	**1,764,271**
Balance at December 31, 2021	**$**	**246,542**	**617,630**	**34,793**	**8,792**	**307,434**	**1,215,191**

Please refer to note 8 for details of the property, plant and equipment pledged as collateral for long-term debt.

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(g) Right-of-use assets

		Land	Buildings	Machinery	Transportation equipment	Total
Cost:						
Balance at January 1, 2022	$	400,849	40,830	-	4,029	445,708
Acquisition through business combination		-	11,211	17,455	-	28,666
Additions		-	11,063	-	1,201	12,264
Disposals		-	(3,302)	-	(1,788)	(5,090)
Effect of exchange rate changes		21,704	(147)	-	-	21,557
Balance at December 31, 2022	**$**	**422,553**	**59,655**	**17,455**	**3,442**	**503,105**
Balance at January 1, 2021	$	-	56,686	-	4,029	60,715
Additions		369,742	22,533	-	-	392,275
Disposals		-	(36,168)	-	-	(36,168)
Reclassification from other non-current assets		40,812	-	-	-	40,812
Effect of exchange rate changes		(9,705)	(2,221)	-	-	(11,926)
Balance at December 31, 2021	**$**	**400,849**	**40,830**	**-**	**4,029**	**445,708**
Accumulated depreciation:						
Balance at January 1, 2022	$	6,911	10,908	-	1,814	19,633
Acquisition through business combination		-	6,726	9,891	-	16,617
Depreciation		14,046	11,231	2,328	1,045	28,650
Disposals		-	(3,302)	-	(1,788)	(5,090)
Effect of exchange rates changes		899	(82)	-	-	817
Balance at December 31, 2022	**$**	**21,856**	**25,481**	**12,219**	**1,071**	**60,627**
Balance at January 1, 2021	$	-	23,613	-	770	24,383
Depreciation		7,049	11,745	-	1,044	19,838
Disposals		-	(23,440)	-	-	(23,440)
Effect of exchange rate changes		(138)	(1,010)	-	-	(1,148)
Balance at December 31, 2021	**$**	**6,911**	**10,908**	**-**	**1,814**	**19,633**
Carrying amount:						
Balance at December 31, 2022	**$**	**400,697**	**34,174**	**5,236**	**2,371**	**442,478**
Balance at December 31, 2021	**$**	**393,938**	**29,922**	**-**	**2,215**	**426,075**

VVM, a subsidiary of the Group, acquired land-use rights in Penang, Malaysia from QLPG, one of its related parties, for manufacturing and operating purposes. The aforementioned land-use rights, with original lease terms of 60 years, were amortized over the remaining lease terms of 29 years. Please refer to note 8 for details of the land-use rights pledged as collateral for long-term debt.

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(h) Intangible assets

	Goodwill	Sales licenses	Brand name	Customer relationships	Acquired software	Patents	Management services agreements	Total
Cost:								
Balance at January 1, 2022	$ 71,186	42,861	39,735	30,480	38,615	-	-	222,877
Acquisition through business combination	9,838	-	-	-	-	4,093	18,660	32,591
Additions	-	-	-	-	4,947	-	-	4,947
Effect of exchange rate changes	(2,191)	(1,319)	(1,223)	(938)	(273)	-	-	(5,944)
Balance at December 31, 2022	**$ 78,833**	**41,542**	**38,512**	**29,542**	**43,289**	**4,093**	**18,660**	**254,471**
Balance at January 1, 2021	$ 81,402	49,012	45,438	34,854	11,541	-	-	222,247
Additions	-	-	-	-	9,158	-	-	9,158
Reclassification	-	-	-	-	19,185	-	-	19,185
Effect of exchange rate changes	(10,216)	(6,151)	(5,703)	(4,374)	(1,269)	-	-	(27,713)
Balance at December 31, 2021	**$ 71,186**	**42,861**	**39,735**	**30,480**	**38,615**	**-**	**-**	**222,877**
Accumulated amortization:								
Balance at January 1, 2022	$ -	25,717	23,841	11,429	16,351	-	-	77,338
Acquisition through business combination	-	-	-	-	-	8	-	8
Amortization	-	8,144	7,550	3,620	10,583	371	1,284	31,552
Effect of exchange rate changes	-	(628)	(581)	(278)	(233)	-	-	(1,720)
Balance at December 31, 2022	**$ -**	**33,233**	**30,810**	**14,771**	**26,701**	**379**	**1,284**	**107,178**
Balance at January 1, 2021	$ -	19,605	18,175	8,713	9,122	-	-	55,615
Amortization	-	9,161	8,493	4,071	8,313	-	-	30,038
Effect of exchange rate changes	-	(3,049)	(2,827)	(1,355)	(1,084)	-	-	(8,315)
Balance at December 31, 2021	**$ -**	**25,717**	**23,841**	**11,429**	**16,351**	**-**	**-**	**77,338**
Carrying amounts:								
Balance at December 31, 2022	**$ 78,833**	**8,309**	**7,702**	**14,771**	**16,588**	**3,714**	**17,376**	**147,293**
Balance at December 31, 2021	**$ 71,186**	**17,144**	**15,894**	**19,051**	**22,264**	**-**	**-**	**145,539**

(i) Impairment test on goodwill

The carrying amount of goodwill arising from business combination and the respective CGU to which the goodwill was allocated for impairment test purpose were as follows:

	December 31, 2022	December 31, 2021
From-eyes Co., Ltd.	$ 68,995	71,186
Other CGUs without significant goodwill	9,838	-
	$ 78,833	**71,186**

Each CGU to which the goodwill is allocated represents the lowest level within the group, at which the goodwill is monitored for internal management purpose. Based on the results of impairment tests conducted by the Group, the recoverable amount of CGU exceeded its carrying amount; as a result, no impairment loss was recognized. The recoverable amount of a CGU was determined based on the value in use.

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The related key assumptions were as follows:

	December 31, 2022	December 31, 2021
From-eyes Co., Ltd.:		
Revenue growth rate	3%~8%	5%~80.64%
Discount rate	24.27%	26.86%

1) The cash flow projections were based on future financial budgets, covering a period of 5 years, and were approved by management. Cash flows beyond 5-year period have been extrapolated using a 0% growth rate.

2) The estimation of discount rate is based on the weighted average cost of capital.

(i) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 46,600	48,080
Unused credit facilities	$ 341,650	292,020
Interest rate	1.00%~1.16%	1.00%~1.19%

(j) Warranty provisions

	2022	2021
Balance at January 1	$ 15,024	24,354
Provisions made	4,280	10,674
Amounts utilized	-	(19,154)
Effect of exchange rate changes	974	(850)
Balance at December 31	$ 20,278	15,024

Warranty provisions arise from the warranty that the Group provides to customers to assure the replacement of goods when there are defects with the goods that conform to the agreed-upon specification. Warranty provisions are estimated based on historical warranty data associated with similar products. The Group expects to settle most of the warranty liability within one year from the date of the sale of the product.

(k) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	$ 19,715	9,357
Non-current	$ 25,005	23,150

Please refer to note 6(w) for the maturity analysis.

(Continued)

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest expense on lease liabilities	$ 731	590
Expenses relating to short-term leases	$ 654	761

The amounts recognized in the statement of cash flows were as follows:

	2022	2021
Total cash outflow for leases	$ 16,269	383,745

(i) Real estate leases

The Group leases buildings for its factories and office premises and the leases typically run for 1 to 10 years. Some of the leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases machinery and transportation equipment with lease terms of 3 to 5 years. Additionally, the Group has elected to apply exemption and not to recognize right-of-use assets and lease liabilities for short-term leases.

(l) Long-term debt

	December 31, 2022			
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	1.75%~3.125%	2025~2027	$ 877,958
Secured bank loans	MYR	4.06%	2028	444,913
Others	NTD	4.06%	2024	1,446
				1,324,317
Less: current portion of long-term debt				(163,066)
				$ 1,161,251
Unused credit facilities				$ 546,000

	December 31, 2021			
	Currency	Interest rate	Maturity year	Amount
Unsecured bank loans	NTD	1.1293%~1.58%	2022~2026	$ 676,080
Secured bank loans	MYR	3.06%	2028	450,732
				1,126,812
				(244,321)
Less: current portion of long-term debt				$ 882,491
Unused credit facilities				$ 500,000

Please refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

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(m) Long-term payables

On January 10, 2019 (the acquisition date), the Company acquired 100% equity ownership of From-eyes from Tomey Contact Lens Co., Ltd. for a cash consideration of JPY 800,000 thousand. An installment payment was arranged for the acquisition consideration in accordance with stock purchase agreement. As of December 31, 2022, acquisition consideration of JPY 580,000 thousand has been paid and the remaining of JPY 220,000 thousand will be paid annually in the following two years. As of December 31, 2022 and 2021, the present value of acquisition consideration payable of $51,040 and $78,668, respectively, was included in the other payables and long-term payables.

The net cash outflow for the abovementioned payables on acquisition considerations was as follows:

		2022	2021
Balance at January 1	$	78,668	119,622
Add: discount amortization		444	670
Less: effect of exchange rate changes		(1,551)	(11,462)
Less: balance at December 31		(51,040)	(78,668)
Net cash outflow	**$**	**26,521**	**30,162**

(n) Employee benefits

The Company and VCT contribute monthly an amount equal to 6% of each employee’s monthly wages to the employee’s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with their respective local regulations. Under these defined contribution plans, the Company and VCT have no legal or constructive obligation to pay any additional amounts after contributing a fixed amount. For the years ended December 31, 2022 and 2021, the Group recognized pension expenses of $17,497 and $12,106, respectively, in relation to the defined contribution plans.

(o) Income taxes

(i) The components of income tax expense (benefit) were as follows:

		2022	2021
Current income tax expense (benefit)			
Current period	$	78,072	436
Adjustment for prior years		3,262	(1,951)
Deferred income tax expense (benefit)		81,334	(1,515)
Origination and reversal of temporary differences		17,446	26,593
Recognition of previously unrecognized tax losses		-	(64,421)
Deferred income tax expense (benefit)		17,446	(37,828)
Income tax expense (benefit)	**$**	**98,780**	**(39,343)**

(Continued)

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In 2022 and 2021, there was no income tax recognized directly in equity or other comprehensive income.

Reconciliation of income tax expense (benefit) and income before income tax for 2022 and 2021 was as follows:

	2022	2021
Income before income tax	$ **712,789**	**404,289**
Income tax using the Company's statutory tax rate	$ 142,558	80,858
Effect of different tax rates in foreign jurisdictions	14,179	9,020
Non-deductible expenses	9,305	4,896
Utilization of previously unrecognized tax losses	-	(14,670)
Recognition of previously unrecognized tax losses	-	(64,421)
Changes in unrecognized temporary differences	(45,605)	(38,642)
Investment tax credits	(68,077)	(47,872)
Surtax on undistributed earnings	3,718	-
Adjustments for prior-year income tax	3,262	(1,951)
Others	39,440	33,439
	$ **98,780**	**(39,343)**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets and liabilities

Unrecognized deferred income tax assets were as follows:

	December 31, 2022	December 31, 2021
Losses associated with investments in subsidiaries	$ 837	-
Other deductible temporary differences	2,691	1,605
Tax losses	8,329	-
	$ **11,857**	**1,605**

As of December 31, 2022, the unrecognized tax losses and the respective expiry years were as follows:

VCT:

Year of loss	Unrecognized tax losses	Tax effect of tax losses	Year of expiry
2021	$ 13,376	2,675	2031
2022	28,269	5,654	2032
	$ **41,645**	**8,329**	

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Unrecognized deferred income tax liabilities were as follows:

	December 31, 2022	December 31, 2021
Net profits associated with investments in subsidiaries	$ 127,681	78,874

The Group is able to control the timing of reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities.

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Investment tax credits	Tax losses	Others	Total
Balance at January 1, 2022	$ 70,441	97,575	2,711	170,727
Recognized in profit or loss	24,848	(46,773)	(420)	(22,345)
Effect of exchange rate changes	4,742	(1,547)	-	3,195
Balance at December 31, 2022	**$ 100,031**	**49,255**	**2,291**	**151,577**
Balance at January 1, 2021	$ 43,783	99,352	3,214	146,349
Recognized in profit or loss	29,912	3,877	(503)	33,286
Effect of exchange rate changes	(3,254)	(5,654)	-	(8,908)
Balance at December 31, 2021	**$ 70,441**	**97,575**	**2,711**	**170,727**

Deferred income tax liabilities:

	Intangible assets acquired through business combination	Unrealized foreign currency exchange gains	Total
Balance at January 1, 2022	$ (15,949)	(2,110)	(18,059)
Acquisition of subsidiary	(4,511)		(4,511)
Recognized in profit or loss	6,236	(1,337)	4,899
Effect of exchange rate changes	610	-	610
Balance at December 31, 2022	**$ (13,614)**	**(3,447)**	**(17,061)**
Balance at January 1, 2021	$ (25,357)	-	(25,357)
Recognized in profit or loss	6,652	(2,110)	4,542
Effect of exchange rate changes	2,756	-	2,756
Balance at December 31, 2021	**$ (15,949)**	**(2,110)**	**(18,059)**

(Continued)

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As of December 31, 2022, the recognized tax losses and the respective expiry years were as follows:

VVM:

Year of loss	Tax loss	Tax effects of tax loss	Year of expiry
2015	$ **33,901**	**8,133**	2025

From-eyes:

Year of loss	Tax loss	Tax effects of tax loss	Year of expiry
2015	$ 868	291	2025
2016	68,528	23,012	2026
2017	10,994	3,692	2027
2018	13,630	4,577	2028
2019	28,440	9,550	2029
	$ **122,460**	**41,122**	

(iii) The Company's income tax returns for the years through 2020 have been examined and approved by the R.O.C. income tax authorities.

(p) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, the Company's authorized common stock consisted of 90,000 thousand shares, of which 63,000 thousand and 54,727 thousand shares were issued and outstanding, respectively. The par value of the Company's common stock is $10 (in New Taiwan Dollars) per share. All issued shares were paid up upon issuance.

The movements in outstanding shares of common stock were as follows (in thousands of shares):

	2022	2021
Balance at January 1	54,727	54,727
Capital increase by cash	8,273	-
Balance at December 31	**63,000**	**54,727**

On October 5, 2022, the Board of Directors approved the issuance of common stock of 8,273 thousand shares for the purpose of initial public offering, of which 7,033 thousand shares were publicly underwritten and 1,240 thousand shares were reserved for employees subscription. The weighted-average price of competitive auction was $183.12 (in New Taiwan Dollars) per share and the price of public underwritten and employee exercise was $168 (in New Taiwan Dollars) per share, under which the aggregate amount of issuance of common stock was $1,474,993. The effective date of issuance of common stock was set on November 24, 2022.

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(ii) Capital surplus

	December 31, 2022	December 31, 2021
Paid-in capital in excess of par value of common shares	$ 1,431,007	38,040

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed as cash dividends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings

The Company’s Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve, except when the legal reserve has reached the Company’s total paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations when necessary. The remaining balance, together with the unappropriated earnings from the previous years can be distributed as dividends to stockholders, pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders.

Furthermore, the Company's Articles of Incorporation also stipulate that the earning distribution is made on a semi-annually basis after the close of each half year. The earning distribution proposal together with business report and financial statements are reviewed by audit committee and approved by the Board of Directors and then reported to shareholders in their meeting.

Distribution of earnings by way of cash dividends is made as the preceding paragraph and distribution of earnings by issuing new shares is made in accordance with Article 240 of the Company Act.

The Company may distribute its legal reserve or capital surplus to shareholders by issuing new shares or by distributing cash according to Article 241, Paragraph 2 of the Company Act. The abovementioned distribution of earnings by way of cash dividends could be approved by the Board of Directors and then reported to the shareholders in their meeting.

As the Company is a technology-intensive enterprise with growing phase, the Company has adopted a remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth. If the current year’s earnings are available for distribution, considering the future expansion of operation scale and cash flow requirements, the distribution ratio for cash dividends shall not be less than 10% of the total distribution and the total dividends distributed shall not be less than 10% of the unappropriated earnings.

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1) Legal reserve

Pursuant to the Company Act, legal reserve may be used to offset a deficit. If the Company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with rulings issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside as special reserve from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

The cash dividends appropriated from 2021 and 2020 earnings was approved by the Company's Board of Directors on March 10, 2022, and on March 8, 2021, respectively. The resolved appropriations of the dividends were as follows:

	2021 earnings		2020 earnings	
	Dividend per share (NT$)	**Amount**	**Dividend per share (NT$)**	**Amount**
Dividends per share:				
Cash dividends	$ 4.00	**218,907**	1.10	**60,199**

On March 3, 2023, the cash dividends appropriated from 2022 earnings approved by the Company's Board of Directors were as follows:

	2022 earnings	
	Dividend per share (NT$)	**Amount**
Dividends per share:		
Cash dividends	$ 5.50	**346,500**

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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(iv) Other equity items (net after tax)

	Foreign currency translation differences
Balance at January 1, 2022	$ (216,467)
Foreign exchange differences arising from translation of foreign operations	96,671
Balance at December 31, 2022	**$ (119,796)**
Balance at January 1, 2021	$ (110,456)
Foreign exchange differences arising from translation of foreign operations	(106,011)
Balance at December 31, 2021	**$ (216,467)**

(v) Non-controlling interests (net after tax)

	2022	2021
Balance at January 1	$ -	-
Equity attributable to non-controlling interests:		
Net loss	(3,422)	-
Acquisition of subsidiary	27,950	-
Balance at December 31	**$ 24,528**	**-**

(q) Share-based payment

On November 16, 2022, the Company issued new shares of common stock of 8,273 thousand shares for the purpose of initial public offering, wherein 1,240 thousand shares were reserved for employee subscriptions. Fair value of share-based payment at grant date measured by the Black-Scholes Model was $0.57 per share. The inputs of the model were as follows:

Fair value of common stock at grant date (NT$/per share)	$ 164.40
Exercise price (NT$/per share)	$ 168
Expected duration (years)	0.008 years
Risk-free interest rate (%)	0.81 %
Expected volatility (%)	30.96 %

In 2022, the compensation cost recognized for the above-mentioned share-based payment arrangements amounted to $707, which was reported in the operating expense.

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(r) Earnings per share (“EPS”)

(i) Basic earnings per share

	2022	2021
Net income attributable to shareholders of the Company	$ 617,431	443,632
Weighted-average number of ordinary shares outstanding (in thousands)	55,588	54,727
Basic earnings per share (in New Taiwan dollars)	$ 11.11	8.11

(ii) Diluted earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company	$ 617,431	443,632
Weighted-average number of ordinary shares outstanding (in thousands)	55,588	54,727
Effect of dilutive potential ordinary shares (in thousands):		
Remuneration to employees in stock	202	147
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	55,790	54,874
Diluted earnings per share (in New Taiwan dollars)	$ 11.07	8.08

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2022	2021
Primary geographical markets:		
Asia	$ 1,998,760	1,544,377
Europe	679,063	331,588
Americas	99,701	88,534
	$ 2,777,524	1,964,499
Major products and services lines:		
Contact lenses	$ 2,771,354	1,964,077
Others	6,170	422
	$ 2,777,524	1,964,499

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(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (including related parties)	$ 324,178	312,689	236,658
Less: loss allowance	(24,235)	-	-
	$ 299,943	**312,689**	**236,658**
Contract liabilities	**$ 20,905**	**9,672**	**2,196**

For details on accounts receivable and their loss allowance, please refer to note 6(b).

The contract liabilities mainly arose from the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amounts of revenue recognized in 2022 and 2021 that were included in the balances of contract liabilities at January 1, 2022 and 2021, were $9,343 and $1,754, respectively.

(t) Remuneration to employees and directors

The Company's Article of Incorporation requires that annual earnings shall first to be offset against any deficit, then, a range from 5% to 20% shall be allocated as employee remuneration and a maximum of 1% be allocated as directors' remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in shares or cash, include the employees of the Company or subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2022 and 2021, the Company estimated its remuneration to employees amounting to $49,196 and $28,553, respectively, and the remuneration to directors amounting to $4,350 and $2,441, respectively. The said amounts, which were recognized in operating expenses, were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by proposed percentage of the remuneration to employees and directors. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

(u) Non-operating income and loss

(i) Interest income

	2022	2021
Interest income from bank deposits	**$ 1,274**	**260**

(ii) Other income

	2022	2021
Insurance claim	$ 14,530	-
Others	602	-
	$ 15,132	**-**

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(iii) Other gains and losses

		2022	2021
Gains on disposal of property, plant and equipment	$	-	20
Gains on lease modifications		-	472
Foreign exchange gains (losses), net		18,596	(5,865)
Gains on reversal of termination loss for prepayments for land		-	21,539
Others		(1)	2,839
	$	**18,595**	**19,005**

In order to reduce the operation risks, in 2020, VVM entered into an agreement with Qisda Sdn. Bhd. (QLPG), one of related parties of the Group, to acquire the land-use rights and buildings which was originally leased from QLPG by VVM. Therefore, VVM terminated the acquisition of land-use right agreement entered in November 2019 with Penang Development Corporation (PDC), a development agency of the State Government of Penang. In accordance with the agreement entered with PDC, 20% of the contract amount shall be the loss for terminating the agreement; consequently, VVM recognized a loss of $59,128 for the termination loss and related tax levies in 2020. In the third quarter of 2021, VVM received a payment equal to 90% of the contract amount from PDC and a gain on reversal of the aforementioned termination loss of $21,539 (approximately MYR 3,186 thousand) was recognized accordingly.

(iv) Finance costs

		2022	2021
Interest expense:			
Bank loans	$	(30,958)	(20,208)
Lease liabilities		(731)	(590)
Payables on acquisition considerations		(444)	(670)
Others		-	(4)
	$	**(32,133)**	**(21,472)**

(v) Financial instruments

(i) Categories of financial instruments

1) Financial assets

		December 31, 2022	December 31, 2021
Financial assets measured at amortized cost:			
Cash and cash equivalents	$	1,801,461	351,005
Accounts receivable and other receivables (including related parties)		338,666	317,650
Other financial assets－current		11,045	10,363
Other financial assets－non-current		2,872	1,544
	$	**2,154,044**	**680,562**

(Continued)

2) Financial liabilities

		December 31, 2022	December 31, 2021
Financial liabilities measured at amortized cost:			
Short-term borrowings	$	46,600	48,080
Notes and accounts payable (including related parties)		188,233	178,439
Payables on equipment and other payables (including related parties)		415,014	532,786
Lease liabilities (including current and non-current)		44,720	32,507
Long-term debt (including current portion)		1,324,317	1,126,812
Long-term payables		25,630	52,668
	$	**2,044,514**	**1,971,292**

(ii) Fair value of financial instruments

As of December 31, 2022 and 2021, there were no financial instruments measured at fair value. The Group considers that the carrying amounts of financial assets and liabilities measured at amortized cost approximate their fair values.

(w) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group' s policies and procedures to measure and manage those risks as well as the quantitative information below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group' s management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of financial instruments fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents and receivables from customers. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

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1) Accounts receivable and other receivables

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. As of December 31, 2022 and 2021, 48% and 46%, respectively, of accounts receivable (including related parties) were from three customers; thus, credit risk was significantly centralized. The Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk. Additionally, other receivables mainly consisted of factored accounts reveivable and receivables from government institutions and therefore, the exposure related to other receivables is not considered significant.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, maintaining adequate cash and banking facilities and ensuring compliance with the terms of the loan agreements. As of December 31, 2022 and 2021, the Group had unused credit facilities of $887,650 and $792,020, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payable.

	Contractual cash flow	Within 6 months	6 months-1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities:						
Short-term borrowings	$ 46,689	46,689	-	-	-	-
Accounts payable (including related parties)	188,233	188,233	-	-	-	-
Payables on equipment and other payables (including related parties)	415,014	415,014	-	-	-	-
Lease liabilities (including current and non-current)	45,847	10,411	10,025	13,031	12,380	-
Long-term debt (including current portion)	1,420,220	88,593	107,698	312,978	861,811	49,140
Long-term payables	25,630	-	-	25,630	-	-
	$ 2,141,633	**748,940**	**117,723**	**351,639**	**874,191**	**49,140**
December 31, 2021						
Non-derivative financial liabilities:						
Short-term borrowings	$ 48,348	17,051	31,297	-	-	-
Accounts payable (including related parties)	178,439	178,439	-	-	-	-
Payables on equipment and other payables (including related parties)	532,786	506,342	26,444	-	-	-
Lease liabilities (including current and non-current)	33,463	5,088	4,630	6,734	13,761	3,250
Long-term debt (including current portion)	1,191,036	132,626	132,304	295,056	514,819	116,231
Long-term payables	52,888	-	-	26,444	26,444	-
	$ 2,036,960	**839,546**	**194,675**	**328,234**	**555,024**	**119,481**

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of their financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exposure to foreign currency risk and sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents, accounts receivable (including related-party transactions), accounts payable (including related-party transactions), other receivables (including related-party transactions), other payables (including related-party transactions), and long-term payables that are denominated in a currency other than the respective functional currencies of Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities and their respective sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

	December 31, 2022				
	Foreign currency (in thousands)	**Exchange rate**	**New Taiwan Dollars (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
Monetary items					
USD	$ 23,369	30.730	718,129	1 %	7,181
EUR	2,106	32.820	69,119	1 %	691
CNY	3,182	4.4057	14,019	1 %	140
JPY	590,688	0.2330	137,630	1 %	1,376
Financial liabilities					
Monetary items					
USD	14,184	30.730	435,874	1 %	4,359
KRW	1,186,363	0.0244	28,947	1 %	289
JPY	220,000	0.2330	51,260	1 %	513

	December 31, 2021				
	Foreign currency (in thousands)	**Exchange rate**	**New Taiwan Dollars (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
Monetary items					
USD	$ 19,856	27.680	549,614	1 %	5,496
EUR	1,900	31.444	59,744	1 %	597
JPY	397,233	0.2404	95,495	1 %	955
Financial liabilities					
Monetary items					
USD	24,051	27.680	665,732	1 %	6,657
EUR	14	31.444	440	1 %	4
JPY	330,000	0.2404	79,332	1 %	793

(Continued)

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With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gains (losses) on monetary items in aggregate. For the years ended December 31, 2022 and 2021, the foreign exchange gains (losses) amounted to $18,596 and $(5,865), respectively.

2) Interest rate risk

The Group’s short-term borrowings and long-term borrowings carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintain good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities at the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2022 and 2021 would have been $13,709 and $11,749, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(x) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

The Group monitors its capital through reviewing the liability-to-equity ratio periodically.

The Group’s liability-to-equity ratio at the end of each reporting period was as follows:

		December 31, 2022	**December 31, 2021**
Total liabilities	$	2,185,255	2,016,078
Less: cash and cash equivalents		(1,801,461)	(351,005)
Net liabilities	**$**	**383,794**	**1,665,073**
Total equity	**$**	**3,108,740**	**1,113,317**
Liability-to-equity ratio		**12.35 %**	**149.56 %**

The liability-to-equity ratio at December 31, 2022 was lower than that ratio at December 31, 2021, which was mainly due to the capital increase by cash in 2022 as well as the continuous profitability.

(Continued)

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(y) Investing and financing activities not affecting cash flows

(i) Please refer to note 6(g) for a description of acquisition the right-of-use assets through lease.

(ii) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Acquisition of subsidiary	Non-cash changes: Additions of lease liabilities	Non-cash changes: Changes in lease payments	Non-cash changes: Changes in foreign exchange rate	December 31, 2022
Short-term borrowings	$ 48,080	-	-	-	-	(1,480)	46,600
Long-term debt (including current portion)	1,126,812	167,799	6,854	-	-	22,852	1,324,317
Lease liabilities (including current portion)	32,507	(14,884)	14,883	12,264	-	(50)	44,720
Total liabilities from financing activities	**$ 1,207,399**	**152,915**	**21,737**	**12,264**	**-**	**21,322**	**1,415,637**

	January 1, 2021	Cash flows	Acquisition of subsidiary	Non-cash changes: Additions of lease liabilities	Non-cash changes: Changes in lease payments	Non-cash changes: Changes in foreign exchange rate	December 31, 2021
Short-term borrowings	$ 90,717	(33,397)	-	-	-	(9,240)	48,080
Long-term debt (including current portion)	748,784	393,662	-	-	-	(15,634)	1,126,812
Lease liabilities (including current portion)	37,053	(12,528)	-	22,409	(13,200)	(1,227)	32,507
Total liabilities from financing activities	**$ 876,554**	**347,737**	**-**	**22,409**	**(13,200)**	**(26,101)**	**1,207,399**

7. Related-party transactions

(a) Related party name and categories

The following are the entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
BenQ Materials Corp. (“BMC”)	The entity with significant influence over the Group
Qisda Corporation (“Qisda”)	The parent company of BMC and the entity with significant influence over the Group
Qisda Sdn. Bhd. (“QLPG”)	Other related party (subsidiary of Qisda)
BenQ Asia Pacific Corp. (“BQP”)	Other related party (subsidiary of Qisda)
ACE Energy Co., Ltd. (“AEG”) (formerly BenQ ESCO Corp.)	Other related party (subsidiary of Qisda)
BenQ Dialysis Technology Corp. (“BDT”)	Other related party (subsidiary of Qisda)
Concord Medical Co., Ltd. (“Concord”)	Other related party (subsidiary of Qisda) (Note 1)
Apaugasma Eye Clinic	Substantive related party
Fu Jin International Co., Ltd.	Substantive related party

Note 1: On January 20, 2022, Qisda obtained control over Concord and Concord became a related party of the Group since then.

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(b) Significant transactions with related parties

(i) Net Sales

The amounts of significant sales to related parties were as follows:

	2022	2021
Entity with significant influence over the Group－BMC	$ 349,432	357,780

The sales prices with related parties were determined based on the market competition. The credit terms with related parties ranged from 30 to 60 days, which were not significantly different from those with third-party customers.

(ii) Purchases

The amounts of purchases from related parties were as follows:

	2022	2021
Entity with significant influence over the Group－BMC	$ 169,304	103,672

The purchase prices with related parties were not comparable to the purchase prices with third-party vendors as the specifications of products were different. The payment terms with related parties ranged from 60 to 90 days while the payment terms with third-party vendors ranged from 30 to 90 days.

(iii) Leases

The Group leased factory and office premise from related parties. The rent was determined by referring to the market price nearby and paid monthly.

Interest expense arising from the abovementioned leases was as follows:

	Interest expense	
	2022	2021
Entity with significant influence over the Group	$ 129	169
Other related parties	-	329
	$ 129	498

The Group leased its office to other related party, QLPG, and the rental income amounted to $57 and $28, respectively, for the years ended December 31, 2022 and 2021.

(iv) Management services income

The Group provided medical management services to substantive related parties and recognized management service income of $5,643 in 2022.

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(v) Property transactions

The Group purchased equipment (including prepayments for equipment) from other related parties, the related amounts were as follows:

	2022	2021
Other related parties	$ 1,380	2,470

(vi) Operating expenses

Service expenses related to information system and other expenses were as follows:

	2022	2021
Entity with significant influence over the Group	$ 446	484

(vii) Receivables

The Group's receivables from related parties were as follows:

Account	Related-party categories	December 31, 2022	December 31, 2021
Accounts receivable	Entity with significant influence over the Group－BMC	$ 34,905	48,346
Accounts receivable	Substantive related party	76	-
		$ 34,981	48,346
Other receivables	Entity with significant influence over the Group－BMC	$ 11	-

(viii) Payables

Related payables resulting from above transactions and the payments made by related parties on behalf of the Group were as follows:

Account	Related-party categories	December 31, 2022	December 31, 2021
Accounts payable	Entity with significant influence over the Group－BMC	$ 31,530	42,256
Other payables	Entity with significant influence over the Group	1,139	690
	Other related parties	15	40
		$ 1,154	730
Lease liability－current	Entity with significant influence over the Group－Qisda	$ 2,968	2,744
Lease liability－non-current	Entity with significant influence over the Group－Qisda	3,843	6,336
		$ 6,811	9,080

(Continued)

(c) Compensation for key management personnel

	2022	2021
Short-term employee benefits	$ 23,541	22,819
Post-employment benefits	180	108
	$ 23,721	**22,927**

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Other financial assets (restricted deposits)	Performance guarantee	$ 11,045	10,363
Land-use rights and buildings	Bank loans	637,473	626,885
		$ 648,518	**637,248**

9. Significant commitments and contingencies

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	**$ 274,131**	**404,016**

10. Significant loss from disaster: None.

11. Significant subsequent events

In response to the long-term development of the Group, on February 17, 2023, the Board of Directors approved to acquire common stock of Crystalvue Medical Corp. (“CMC”), whereby the Group acquired 1,191 thousand shares of common stock of CMC for $71,437 on the same day.

12. Others

Employee benefits, depreciation and amortization, categorized by function were as follows:

	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	286,113	241,448	527,561	215,413	191,276	406,689
Insurance	3,499	12,480	15,979	2,447	10,068	12,515
Pension	9,539	7,958	17,497	7,039	5,067	12,106
Others	5,241	7,152	12,393	3,687	4,699	8,386
Depreciation	258,852	45,627	304,479	180,841	30,872	211,713
Amortization	-	31,552	31,552	-	30,038	30,038

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13. Additional disclosures

(a) Information on significant transactions:

In accordance with the requirements of the Regulations, the Company additionally discloses the following information on significant transactions:

(i) Financing provided to other parties:

(In Thousands of New Taiwan Dollars / Malaysian Ringgit)

No.	Financing Company	Counter-Party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-Term Financing	Loss Allowance	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	VVM	VMM	Other receivables from related parties	yes	12,577 (MYR 1,800)	12,577 (MYR 1,800)	12,577 (MYR 1,800)	5%	2	-	Operating requirement	-	-	-	871,847	871,847

Note 1: The aggregate financing amount shall not exceed 40% of the most recent net worth of VVM.
Note 2: The individual financing amount of VVM to subsidiaries shall not exceed 40% of the most recent net worth of VVM.
Note 3: Nature of financing: 1. Business transaction purpose. 2. Short-term financing purpose.
Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(ii) Guarantees and endorsement provided to other parties:

(In Thousands of New Taiwan Dollars / Japanese Yen)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	The Company	From-eyes	2	1,542,106	110,650 (JPY 250,000 and NTD 50,000)	108,250 (JPY 250,000 and NTD 50,000)	46,600 (JPY 200,000)	-	3.52 %	1,542,106	Y	-	-

Note 1: Relationship between the endorsement/guarantee provider and the guaranteed party: 2. an entity directly or indirectly owned by the Company over 50%.
Note 2: The individual endorsement/guarantee amount provided shall not exceed 50%, not including 50%, of the most recent net worth of the Company.
Note 3: The aggregate endorsement/guarantee amount provided shall not exceed 50%, not including 50%, of the most recent net worth of the Company.

(iii) Marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): None.

(Continued)

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(iv) Marketable securities for which the accumulated purchase or sale amounts exceed $300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars / Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Purchase		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gains (Losses) on Disposal	Shares	Amount (Note 1)
The Company	VVM common stock	Investments accounted for using the equity method	VVM	Parent/Subsidiary	167,368	1,438,751	62,776	421,195	-	-	-	-	230,144	2,187,285

Note 1: The ending balance includes shares of profits/losses of investees and other related adjustment.
Note 2: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars / Malaysian Ringgit)

Name of Company	Name of Property	Transaction Date	Transaction Amount	Status of Payment	Counter-Party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for Determining Price	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship with the Company	Date of Transfer	Amount			
VVM	Buildings	Board resolution date: January 27, 2022	336,089 (MYR 48,100)	275,300 (MYR 39,405)	BNQ Engineering Sdn. Bhd.	-	-	-	-	-	Refer to market price and price negotiation with suppliers	Manufacturing and operating requirements	-

Note: The above amounts were translated into New Taiwan dollars at the exchange rate of MYR 1=NT$6.9873 on December 31, 2022.

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None.

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Notes to the Consolidated Financial Statements

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

			Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		
Company Name	Related Party	Nature of Relationship	Purchases/ (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/ Accounts Receivable (Payable)	Note
The Company	BMC	Entity with significant influence over the Group	(Sales)	(349,432)	(15)%	OA 60	Note 1	Note 1	34,905	11 %	-
VVM	BMC	Entity with significant influence over the Group	Purchases	168,539	13 %	OA 60	Note 2	Note 1	(31,231)	(22)%	-
The Company	From-eyes	Parent/Subsidiary	(Sales)	(276,639)	(12)%	OA 60	Note 1	Note 1	102,454	31 %	Note 4
From-eyes	The Company	Parent/Subsidiary	Purchases	276,639	55 %	OA 60	Note 1	Note 1	(102,454)	(70)%	Note 4
VVM	The Company	Parent/Subsidiary	(Sales)	(1,573,085)	(100)%	OA 60	Note 3	Note 1	223,899	100 %	Note 4
The Company	VVM	Parent/Subsidiary	Purchases	1,573,085	100 %	OA 60	Note 2	Note 1	(223,899)	(96)%	Note 4

Note 1: There were no significant differences between the transactions with related parties and those with third-party customers and vendors.
Note 2: The transactions with related parties are not comparable to the transactions with third-party vendors as the Group did not purchase the same products from other vendors.
Note 3: The transactions with related parties are not comparable to the transactions with third-party customers as VVM only sold products to the Company.
Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

					Overdue			
Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Amount	Action Taken	Amounts Received in Subsequent Period	Allowance for Bad Debts
The Company	From-eyes	Parent/Subsidiary	102,454	3.24	-	-	41,503	-
VVM	The Company	Parent/Subsidiary	223,899	6.49	-	-	112,671	-

Note: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(ix) Transactions about derivative instruments: None.

(Continued)

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Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
0	The Company	From-eyes	1	Sales	(276,639)	OA 60	(9.96)%
0	The Company	From-eyes	1	Accounts receivable	102,454	OA 60	1.94 %
1	VVM	The Company	2	Sales	(1,573,085)	OA 60	(56.64)%
1	VVM	The Company	2	Accounts receivable	223,899	OA 60	4.23 %

Note 1: Parties to the intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: The relationships with counterparties are as follows:
1. The Company to subsidiary.
2. Subsidiary to the Company.
3. Fellow subsidiaries.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for sales and accounts receivable. The corresponding purchases and accounts payable are not disclosed.

Note 4: The percentage is calculated as the transaction amount divided by consolidated operating revenues or consolidated total assets

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees (excluding investment in Mainland China):

(In Thousands of New Taiwan Dollars / Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2022			Maximum Percentage of Ownership during 2022		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	VVM	Malaysia	Manufacture and sale of contact lenses	1,697,856	1,276,661	230,144	100.00 %	2,187,285	230,144	100.00 %	223,909	223,909	Parent/ Subsidiary
The Company	From-eyes	Japan	Sale of contact lenses	220,441	220,441	1	100.00 %	227,740	1	100.00 %	30,581	17,181	Parent/ Subsidiary
The Company	VCT	Taiwan	Medical management services	44,000	-	4,400	55.00 %	39,817	4,400	55.00 %	(6,319)	(4,183)	Parent/ Subsidiary
VVM	VMM	Malaysia	Lease management services	3,696	3,696	500	100.00 %	1,801	500	100.00 %	(149)	(149)	Parent/ Subsidiary

Note: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(Continued)

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Notes to the Consolidated Financial Statements

(c) Information on investment in Mainland China:

(i) Name and main businesses and products of investee companies in Mainland China:

(In Thousands of US Dollars / Renminbi / New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum Percentage of Ownership during 2022: Shares	Maximum Percentage of Ownership during 2022: Percentage of Ownership	Investment Income (Loss)	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
Shanghai Pan Tai Wang Long Optical Co., Ltd.	Manufacture and sale of contact lenses	-	Note 1	51,012 (USD 1,600)	-	-	51,012 (USD 1,600)	-	-	-	-	-	-	-
Shi-Yang Optical (Shanghai) Co., Ltd.	Manufacture and sale of contact lenses	-	Note 1	46,095 (USD 1,500)	-	-	46,095 (USD 1,500)	-	-	-	-	-	-	-
Trend Young Trading (Shanghai) Limited Company	Sale of contact lenses	15,533 (CNY 3,500) (Note 3)	Note 2	-	15,420 (CNY 3,500)	-	15,420 (CNY 3,500)	2,948	100.00 %	-	100.00 %	2,948	16,422	-

Note 1: Shanghai Pan Tai Wang Long Optical Co., Ltd. and Shi-Yang Optical (Shanghai) Co., Ltd. were liquidated in 2019, wherein no asset was able to be remitted back to the Company. The Investment Commission of the Ministry of Economic Affairs (MOEA) has approved the retirement of the investment in Mainland China.
Note 2: Direct investment in Mainland China.
Note 3: Except for the paid-in capital which was measured at historical foreign exchange rate, the above amounts were translated into New Taiwan dollars at the exchange rate of US \$1=NT \$30.73 and CNY 1=NT \$4.4057 on December 31, 2022.

(ii) Limits on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	112,527 (USD 3,160 and CNY 3,500)	113,756 (USD 3,200 and CNY 3,500)	1,850,527

Note: The above amounts were translated into New Taiwan dollars at the exchange rate of US \$1=NT \$30.73 and CNY 1=NT \$4.4057.

(iii) Significant transactions with investee companies in Mainland China:

Related Party	Nature of Relationship	Transaction Terms					Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)
		Type	Amount	Price	Payment Terms	Transactions with Others	Balance	Percentage	
Trend Young Trading (Shanghai) Limited Company	The Company's subsidiary	Sales	14,269	Note 1	OA 60	Note 1	3,106	1.04 %	(1,940)

Note 1: There were no significant differences between the transactions with related parties and those with third-party customers.
Note 2: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(d) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
BenQ Materials Corp.	9,333,773	14.81 %

Note 1: The information of major shareholders in this table was calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, based on the Company' s common shares (including treasury stock) without physical registration for which the major shareholders own more than 5% of the total shares. The total common shares stated in the accompanying consolidated financial statements and the actual number of shares issued without physical registration may vary due to the different use of calculation basis.

14. Segment information

The Group is mainly engaged in the manufacture and sale of disposable contact lenses and has only one reportable segment. The information of segment profit or loss, segment assets and liabilities is consistent with those of consolidated financial statements. Please refer to Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income for the related information.

(a) Products and services information

Revenues from external customers are detailed below:

Products and services	2022	2021
Sale of contact lenses	$ 2,771,354	1,964,077
Others	6,170	422
	$ 2,777,524	**1,964,499**

VISCO VISION INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers:

Region	2022	2021
Europe	$ 679,063	331,588
Asia	1,640,406	1,186,597
Taiwan	358,354	357,780
Americas	99,701	88,534
	$ 2,777,524	**1,964,499**

Non-current assets:

Region	December 31, 2022	December 31, 2021
Taiwan	$ 182,518	154,141
Malaysia	2,195,350	1,674,808
Japan	106,498	129,242
Others	3,475	-
	$ 2,487,841	**1,958,191**

The aforementioned non-current assets include property, plant and equipment, right-of-use assets, intangible assets, prepayments for equipment and other non-current assets, but do not include financial instruments and deferred income tax assets.

(c) Major customer information

Sales to individual customer representing more than 10% of the consolidated revenue were as follows:

	2022	2021
Customer A	$ 481,830	296,233
Customer B	389,024	174,449
Customer C	349,432	357,780