

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Report
For the Three Months Ended March 31, 2023 and 2022**

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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.

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Independent Auditors' Report

To the Board of Directors of Visco Vision Inc :

Foreword

We have reviewed the accompanying consolidated balance sheets of Visco Vision Inc. and its subsidiaries (“the Company”) as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 the International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to draw a conclusion on the consolidated financial statements based on our review.

Scope

We conducted our reviews in accordance with Statement on Standards on Review Engagement No. 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity”. The review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements are not presented fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, its financial performance and its cash flows for the three months ended March 31 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)

May 10, 2023

Review only, not audited in accordance with generally accepted auditing standards as of March 31, 2023 and 2022

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		2023.3.31		2022.12.31		2022.3.31		Liabilities and Equity		2023.3.31		2022.12.31		2022.3.31	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current Assets:															
1100	Cash and cash equivalents (Note 6(1))	\$ 1,115,320	22	1,801,461	34	272,935	8	2100	Short-term borrowing (Note 6 (11))	\$ 45,720	1	46,600	1	46,980	2
1137	Financial assets at amortized cost - current (Notes (2) and 8)	210,926	4	11,045	-	10,659	-	2130	Contract liabilities - current (Notes 6 (21))	13,684	-	20,905	-	7,595	-
1170	Accounts receivable, net (Notes 6 (4) and (21))	278,108	6	264,962	5	353,322	11	2170	Notes and accounts payable	142,666	3	156,703	3	193,625	6
1180	Accounts receivable from related parties (Notes 6 (4), (21), and 7)	55,069	1	34,981	1	68,167	2	2180	Accounts payable to related parties (Note 7)	23,273	1	31,530	1	37,197	1
1200	Other receivables (Notes 6 (4), (5), 7 and 8)	5,257	-	38,723	1	24,196	1	2213	Payables on equipment	131,804	3	81,007	2	106,167	3
130X	Inventories (Note 6 (6))	508,370	10	461,985	8	337,307	10	2216	Dividends payable (Note 6 (18))	346,500	7	-	-	218,907	7
1479	Prepayments and other current assets	45,374	1	38,548	1	26,762	1	2219	Other payables (Notes 6 (15), (22), and 7)	312,263	6	409,282	8	213,943	6
	Total current assets	2,218,424	44	2,651,705	50	1,093,348	33	2250	Provisions- current (Note 6 (12))	19,530	-	20,278	-	15,697	1
Non-current assets:								2280	Lease liabilities - current (Notes 6 (13), and 7)	19,478	-	19,715	-	8,730	-
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (3))	88,225	2	-	-	-	-	2322	Current portion of long-term debt (Notes 6 (14) and 8)	103,505	2	163,066	3	204,260	6
1600	Property, plant, and equipment (Notes 6 (8), and 8)	1,817,600	36	1,764,271	33	1,360,133	41	2399	Other current liabilities	3,916	-	7,222	-	1,311	-
1755	Right-of-use assets (Notes 6 (9), 7 and 8)	430,168	9	442,478	8	431,476	13		Total current liabilities	1,162,339	23	956,308	18	1,054,412	32
1780	Intangible assets (Notes 6 (7) and (10))	137,530	3	147,293	3	135,613	4	2540	Non-current liabilities:						
1840	Deferred income tax assets	180,256	4	151,577	3	164,292	5	2570	Long-term loans (Notes 6 (14) and 8)	1,003,956	20	1,161,251	21	1,117,928	34
1915	Prepayments for constructions and equipment	113,614	2	131,759	3	137,059	4	2580	Deferred income tax liabilities	15,283	-	17,061	-	16,174	-
1980	Other Financial Assets - non-current	2,823	-	2,872	-	1,881	-	2612	Lease liabilities - non-current (Notes 6 (13), and 7)	20,501	1	25,005	1	22,281	-
1990	Other non-current assets	1,860	-	2,040	-	-	-		Long-term payables (Note 6 (15))	-	-	25,630	1	25,674	1
	Total non-current assets	2,772,076	56	2,642,290	50	2,230,454	67		Total non-current liabilities	1,039,740	21	1,228,947	23	1,182,057	35
									Total liabilities	2,202,079	44	2,185,255	41	2,236,469	67
									Equity attributable to shareholders of the Company (Notes 6 (18))						
								3110	Common stock	630,000	13	630,000	12	547,267	16
								3200	Capital surplus	1,431,007	29	1,431,007	27	38,040	1
									Retained earnings:						
								3310	Legal reserve	96,866	2	96,866	2	52,503	2
								3320	Special reserve	216,467	4	216,467	4	110,456	3
								3350	Unappropriated earnings	522,221	10	829,668	16	517,169	16
										835,554	16	1,143,001	22	680,128	21
								3400	Other equity	(131,137)	(2)	(119,796)	(2)	(178,102)	(5)
									Total equity attributable to shareholders of the Company	2,765,424	56	3,084,212	59	1,087,333	33
								36XX	Non-controlling Interests (Note 6(18))	22,997	-	24,528	-	-	-
									Total equity	2,788,421	56	3,108,740	59	1,087,333	33
Total assets		\$ 4,990,500	100	5,293,995	100	3,323,802	100		Total liabilities and equity	\$ 4,990,500	100	5,293,995	100	3,323,802	100

(Please refer to the attached Notes to Consolidated Financial Statements)

Review only, not audited in accordance with generally accepted auditing standards

VISCO VISION INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2023, and 2022

(Expressed in Thousands of New Taiwan Dollars)

		<u>January to March 2023</u>		<u>January to March 2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net sales (Notes 6 (21), 7, and 14)	\$ 525,825	100	642,103	100
5000	Cost of sales (Notes 6 (6), (8), (9), (20), (16), (22), 7 and 12)	(373,555)	(71)	(348,909)	(54)
	Gross profit	<u>152,270</u>	<u>29</u>	<u>293,194</u>	<u>46</u>
	Operating expenses (Notes 6 (4), (8), (9), (10), (13), (16), (22), 7 and 12) :				
6100	Selling expenses	(40,657)	(8)	(39,958)	(6)
6200	Administrative expenses	(43,890)	(8)	(47,593)	(8)
6300	Research and development expenses	(32,002)	(6)	(37,321)	(6)
6450	Expected credit loss	(1,209)	-	-	-
	Total operating expenses	<u>(117,758)</u>	<u>(22)</u>	<u>(124,872)</u>	<u>(20)</u>
	Operating income	<u>34,512</u>	<u>7</u>	<u>168,322</u>	<u>26</u>
	Non-operating income and expenses (Notes (13), (23), and 7):				
7100	Interest income	3,839	1	79	-
7010	Other income	115	-	14,427	2
7020	Other gains and losses	(6,061)	(1)	(2,194)	-
7050	Finance costs	(9,200)	(2)	(5,925)	(1)
	Total non-operating income and expenses	<u>(11,307)</u>	<u>(2)</u>	<u>6,387</u>	<u>1</u>
7900	Income before income tax	<u>23,205</u>	<u>5</u>	<u>174,709</u>	<u>27</u>
7950	Income tax benefits (expenses) (Notes 6 (17))	14,317	2	(20,151)	(3)
8200	Net income for the period	<u>37,522</u>	<u>7</u>	<u>154,558</u>	<u>24</u>
	Other comprehensive income (Note 6 (18)):				
8310	Components that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	16,767	3	-	-
8349	Income tax related to components that will not be reclassified to profit or loss	-	-	-	-
		<u>16,767</u>	<u>3</u>	<u>-</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(28,108)	(5)	38,365	6
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Other comprehensive income (loss) for the period, net of income tax	<u>(11,341)</u>	<u>(2)</u>	<u>38,365</u>	<u>6</u>
8500	Total comprehensive income for the period	<u>\$ 26,181</u>	<u>5</u>	<u>192,923</u>	<u>30</u>
	Net income attributable to for the period:				
8610	Shareholders of the Company	\$ 39,053	7	154,558	24
8620	Non-controlling Interests	(1,531)	-	-	-
		<u>\$ 37,522</u>	<u>7</u>	<u>154,558</u>	<u>24</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	\$ 27,712	5	192,923	30
8720	Non-controlling Interests	(1,531)	-	-	-
		<u>\$ 26,181</u>	<u>5</u>	<u>192,923</u>	<u>30</u>
	Earnings per share (Note 6 (20))				
9750	Basic earnings per share (NTD)	<u>\$ 0.62</u>		<u>2.82</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 0.62</u>		<u>2.81</u>	

(Please refer to the attached Notes to Consolidated Financial Statements)

Review only, not audited in accordance with generally accepted auditing standards
VISCO VISION INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended March 31, 2023, and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company											
	Retained earnings						Other equity items				Non-controlling Interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation differences	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total equity attributable to shareholders of the Company			
Balance as of January 1, 2022	\$ 547,267	38,040	52,503	110,456	581,518	744,477	(216,467)	-	1,113,317	-	1,113,317	
Net income for the period	-	-	-	-	154,558	154,558	-	-	154,558	-	154,558	
Other Comprehensive Income for the period	-	-	-	-	-	-	38,365	-	38,365	-	38,365	
Total comprehensive income for the period	-	-	-	-	154,558	154,558	38,365	-	192,923	-	192,923	
Distribution of earnings:												
Cash dividends of common stock	-	-	-	-	(218,907)	(218,907)	-	-	(218,907)	-	(218,907)	
Balance as of March 31, 2022	\$ 547,267	38,040	52,503	110,456	517,169	680,128	(178,102)	-	1,087,333	-	1,087,333	
Balance as of January 1, 2023	\$ 630,000	1,431,007	96,866	216,467	829,668	1,143,001	(119,796)	-	3,084,212	24,528	3,108,740	
Net income for the period	-	-	-	-	39,053	39,053	-	-	39,053	(1,531)	37,522	
Other Comprehensive Income (loss) for the period	-	-	-	-	-	-	(28,108)	16,767	(11,341)	-	(11,341)	
Total comprehensive income (loss) for the period	-	-	-	-	39,053	39,053	(28,108)	16,767	27,712	(1,531)	26,181	
Distribution of earnings:												
Cash dividends of common stock	-	-	-	-	(346,500)	(346,500)	-	-	(346,500)	-	(346,500)	
Balance as of March 31, 2023	\$ 630,000	1,431,007	96,866	216,467	522,221	835,554	(147,904)	16,767	2,765,424	22,997	2,788,421	

(Please refer to the attached Notes to Consolidated Financial Statements)

**Review only, not audited in accordance with generally accepted auditing standards
VISCO VISION INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

For the years ended March 31, 2023, and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>January to March 2023</u>	<u>January to March 2022</u>
Cash flows from operating activities:		
Income before income tax	\$ 23,205	174,709
Items for adjustments:		
Adjustments:		
Depreciation expenses	92,716	60,505
Amortization expenses	8,400	7,701
Expected credit loss	1,209	-
Interest expenses	9,200	5,925
Interest income	(3,839)	(79)
The payable on acquisition considerations for foreign exchange gains (losses)	99	(1,133)
Total adjustments for profit or loss	<u>107,785</u>	<u>72,919</u>
Changes in operating assets and liabilities:		
Changes in net operating assets:		
Accounts receivable	(13,146)	(97,970)
Accounts receivable from related parties	(21,297)	(19,821)
Other receivables	33,466	(10,244)
Inventories	(46,385)	(46,608)
Prepayments and other current assets	(6,826)	2,721
Other non-current assets	180	-
Total changes in net operating assets	<u>(54,008)</u>	<u>(171,922)</u>
Changes in net operating liabilities:		
Contract liabilities	(7,221)	(2,077)
Notes and Accounts Payable	(14,037)	57,442
Accounts payable from related parties	(8,257)	(5,059)
Other payables	(89,193)	(21,704)
Provisions	(748)	673
Other current liabilities	(3,306)	(306)
Total changes in net operating liabilities	<u>(122,762)</u>	<u>28,969</u>
Total changes in net operating assets and liabilities	<u>(176,770)</u>	<u>(142,953)</u>
Total items for adjustments	<u>(68,985)</u>	<u>(70,034)</u>
Cash inflows (outflows) generated from operations	(45,780)	104,675
Interest received	3,839	79
Interest paid	(9,264)	(4,853)
Income tax paid	(154)	(467)
Net cash inflows (outflows) generated from operating activities	<u>(51,359)</u>	<u>99,434</u>

(Continued on the next page)

(Please refer to the attached Notes to Consolidated Financial Statements)

Review only, not audited in accordance with generally accepted auditing standards
VISCO VISION INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended March 31, 2023, and 2022
(Expressed in Thousands of New Taiwan Dollars)

	<u>January to March 2023</u>	<u>January to March 2022</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(71,458)	-
Acquisition of financial assets at amortized cost	(199,881)	(296)
Acquisition of property, plant, and equipment (including prepayments for constructions and equipment)	(87,238)	(338,181)
Acquisition of intangible assets	(483)	(445)
Decrease (increase) in other financial assets	49	(337)
Decrease in payables on acquisition considerations	(51,359)	(26,521)
Net cash flows used in investing activities	<u>(410,370)</u>	<u>(365,780)</u>
Cash flows from financing activities:		
Increase in long-term loans	125,000	330,000
Repayments of long-term loans	(337,074)	(146,612)
Repayment of lease liabilities	(4,940)	(2,438)
Net cash inflows (outflows) generated from financing activities	<u>(217,014)</u>	<u>180,950</u>
Effect of exchange rate changes	<u>(7,398)</u>	<u>7,326</u>
Decrease in cash and cash equivalents for the period	(686,141)	(78,070)
Cash and cash equivalents at beginning of period	<u>1,801,461</u>	<u>351,005</u>
Cash and cash equivalents at end of period	<u>\$ 1,115,320</u>	<u>272,935</u>

(Please refer to the attached Notes to Consolidated Financial Statements)

Review only, not audited in accordance with generally accepted auditing standards
VISCO VISION INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the years ended March 31, 2023, and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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

This Consolidated Financial Statement has been promulgated on May 10, 2023, after the approval of the Board of Directors.

3. Application of New and Revised Accounting Standards and Interpretations

(a) The impact of adopting new and revised accounting standards and interpretations approved by the Financial Supervisory Commission (hereinafter referred to as the FSC).

Starting from January 1, 2023, the Group has applied the following newly revised International Financial Reporting Standards, which have not had a significant impact on the 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”

(b) New and revised accounting standards and interpretations that has not been approved by the FSC.

The International Accounting Standards Board (hereinafter referred to as the IASB) has promulgated and revised the accounting standards and interpretations that have not yet been approved by the FSC. The matters that may be related to the Group are as follows:

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

New and Amended Standards	Amended Contract Content	Effective Date of Issuance by the IASB
Amendments to IAS 1 “Classify 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 IASB has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible bond)	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After re-evaluating certain aspects of the amendment to IAS 1 in 2020, the new amendments clarify that only contractual terms complied on the reporting date or before will affect the classification of liabilities as current or non-current. Contractual terms followed by the company after the reporting date (i.e., future terms) do not affect the classification of liabilities as of that date. However, when non-current liabilities are subject to future contractual terms, companies are required to disclose information to assist users of financial statements in understanding the risks associated with the potential repayment of these liabilities within 12 months after the reporting date.	January 1, 2024

The Group is currently assessing the effects of the standards and interpretations mentioned above on its financial conditions and operating results. Related impacts will be disclosed upon completion of the assessment.

The Group expects that the following other new and revised accounting standards, which have not been approved by the Financial Supervisory Commission, will not have a significant impact on the Consolidated Financial Statements.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

- 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 amendment of IFRS 17
- Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IFRS 16 “Lease liability in a sale and leaseback”

4. Summary of Significant Accounting Policies

Apart from the following explanations, the significant accounting policies adopted in the Consolidated Financial Statement are consistent with those of the 2022 Consolidated Financial Statement. For relevant information, please refer to Note 4 of the 2022 Consolidated Financial Statement.

(a) Compliance declaration

The Consolidated Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Preparation Standards”) and the international accounting standards 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The Consolidated Financial Statement does not include all the necessary information that should be disclosed in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), law and regulation reviews and their announcements recognized and announced by the FSC (the “IFRSs recognized by the FSC”) for the preparation of the complete Consolidated Financial Statement for the year.

(b) Basis of consolidation

(i) Subsidiaries included in the consolidated financial statements

Name of Investor	Name of Subsidiary	Nature of business	Percentage of Shares Held			Description
			2023.3.31	2022.12.31	2022.3.31	
The Company	Visco Technology Sdn. Bhd. (VVM)	Manufacturing, processing, and sales of contact lenses	100.00%	100.00%	100.00%	
The Company	From-eyes Co., Ltd. (From-eyes)	Sales of contact lenses	100.00%	100.00%	100.00%	
The Company	Trend Young Trading (Shanghai) Limited Company (TYC)	Sales of contact lenses	100.00%	100.00%	100.00%	
The Company	Trend Young Vision Care Inc. (VCT)	Medical management consulting services	55.00%	55.00%	-	Note 1
VVM	Visco Med Sdn. Bhd. (VMM)	Lease management services	100.00%	100.00%	100.00%	

Note 1: On April 22, 2022, the Group acquired control over VCT, and it became a subsidiary of the Group. Therefore, starting from that date, VCT has been included in the Consolidated Financial Statements.

(ii) Subsidiaries are not included in the consolidated financial statements: None.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(c) Financial instruments

Financial assets at fair value through other comprehensive income

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present the subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss. Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

(d) Income Tax

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, "Interim Financial Reporting".

Income tax expense is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate. The income tax expense (benefit) and deferred income tax expense (benefit) of the current period is allocated based on the ratio of the estimated income tax expense (benefit) and deferred income tax expense (benefit) for the current year.

Income taxes that are recognized directly in equity or other comprehensive income are measured in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases at the tax rates that are expected to be applied in the year in which the asset is realized or the liability is settled.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

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

The management prepares the consolidated financial statements according to the preparation standards and international accounting standards 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The management must make judgments, estimates, and assumptions. This will have an impact on the adoption of accounting policies and the amounts of assets, liabilities, income, and expenses reported. Actual results may differ from these estimates.

When preparing the Consolidated Financial Statements, the critical accounting judgments made by the management when adopting the Group's accounting policies and the key sources of estimation and assumption uncertainties are consistent with Note 5 of the 2022 Consolidated Financial Statements.

6. Significant account disclosures

(1) Cash and cash equivalents

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Cash on hand	\$ 32	32	33
Demand deposits and checking deposits	534,516	1,163,451	272,902
Time deposits with original maturity date within 3 months	580,772	637,978	-
	<u>\$ 1,115,320</u>	<u>1,801,461</u>	<u>272,935</u>

(2) Financial assets at amortized cost-current

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Restricted bank deposits	\$ 10,926	11,045	10,659
Time deposits with original maturity date over 3 months	200,000	-	-
	<u>\$ 210,926</u>	<u>11,045</u>	<u>10,659</u>

The Group evaluates the assets held until the maturity date to collect contractual cash flows, and the cash flows from these financial assets are solely for the payment of interest on the principal and the amount of principal outstanding. Therefore, they are measured at amortized cost.

Please refer to Note 8 for details of the pledged collateral using the aforementioned financial assets by the Group.

(3) Financial assets at fair value through other comprehensive income - non-current

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Equity investments at fair value through other comprehensive income:			
Listed companies	<u>\$ 88,225</u>	<u>-</u>	<u>-</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

The Group designated the above-mentioned equity investments as financial assets at fair value through other comprehensive income (“FVOCI”) because these investments are held for strategic purposes and not for trading.

The financial assets mentioned above have not been provided as pledged collaterals. Please refer to Note 6 (24) for information on market risks.

(4) Accounts receivable

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Accounts receivable	\$ 278,108	264,962	353,322
Accounts receivable from related parties	80,513	59,216	68,167
	358,621	324,178	421,489
Less: Loss allowances	(25,444)	(24,235)	-
	<u>\$ 333,177</u>	<u>299,943</u>	<u>421,489</u>

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:

	<u>2023.3.31</u>		
	<u>Gross carrying amount</u>	<u>Weighted average loss rate</u>	<u>Loss allowance</u>
Current	\$ 274,433	0%	-
Past due less than 30 days	56,440	0%	-
Past due 31 to 90 days	-	0%	-
Past due 61 to 90 days	2,238	0%	-
	333,111		-
Individual assessment	25,510	99.74%	25,444
	<u>\$ 358,621</u>		<u>25,444</u>

	<u>2022.12.31</u>		
	<u>Gross carrying amount</u>	<u>Weighted average loss rate</u>	<u>Loss allowance</u>
Current	\$ 257,565	0%	-
Past due less than 30 days	21,750	0%	-
Past due 31 to 90 days	20,553	0%	-
	299,868		-
Individual assessment	24,310	99.70%	24,235
	<u>\$ 324,178</u>		<u>24,235</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

	2022.3.31		
	Gross carrying amount	Weighted average loss rate	Loss allowance
Current	\$ 276,020	0%	-
Past due less than 30 days	91,122	0%	-
Past due 31 to 90 days	54,347	0%	-
	<u>\$ 421,489</u>		<u>-</u>

The statement of changes in loss allowances of the Group's accounts receivable (including related parties) is as follows:

	January to March 2023	January to March 2022
Balance at January 1	\$ 24,235	-
Impairment loss recognized	1,209	-
Balance at March 31	<u>\$ 25,444</u>	<u>-</u>

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:

2022.12.31						
Underwriting bank	Amount derecognized	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Interest rate	Significant transferring terms
Taishin International Bank	<u>\$ 33,982</u>	<u>28,885</u>	<u>-</u>	<u>33,982</u>	<u>0.45%</u>	Guaranteed promissory note of USD700 thousand
2022.3.31						
Underwriting bank	Amount derecognized	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Interest Rate	Significant transferring terms
Taishin International Bank	<u>\$ 8,991</u>	<u>7,642</u>	<u>-</u>	<u>8,991</u>	<u>0.45%</u>	Guaranteed promissory note of USD700 thousand

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(5) Other receivables

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Factored accounts receivable	\$ -	33,982	8,991
Insurance claim receivables	-	-	14,762
Others	5,257	4,741	443
	<u>\$ 5,257</u>	<u>38,723</u>	<u>24,196</u>

(6) Inventories

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Raw materials	\$ 133,496	138,956	121,465
Work in process	249,513	195,070	82,927
Finished goods	125,361	127,959	132,915
	<u>\$ 508,370</u>	<u>461,985</u>	<u>337,307</u>

Details of inventory-related expenses recognized in the current period are as follows:

	<u>January to March 2023</u>	<u>January to March 2022</u>
Costs of inventories sold	\$ 371,844	349,200
Warranty costs estimated (reversed)	(529)	266
Reversal of write-downs of inventories	(516)	(557)
Loss on scrap	2,756	-
	<u>\$ 373,555</u>	<u>348,909</u>

Reversal of write-downs of inventories was due to a portion of inventory set aside for loss on inventory write-down was sold or consumed in the current period. As a result, the reversed loss amount with the original write-down was recognized in the gains from recovery.

(7) 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 Apageasma 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.

(ii) Fair value of identifiable net assets acquired

Details of the fair value of VCT’s identifiable net assets and goodwill acquired on the acquisition date are as follows:

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

Transfer Price:		
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 service contract		18,660
Intangible assets-patent rights		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)
Goodwill		<u>\$ 9,838</u>

(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.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(8) Property, plant, and equipment

	Buildings	Machinery	Leasehold improvements	Other equipment	Construction in process and equipment to inspected	Total
Cost:						
Balance at January 1, 2023	\$ 327,789	1,937,380	28,969	23,786	498,086	2,816,010
Acquisitions	-	736	-	186	155,258	156,180
Reclassifications	1,407	19,263	-	-	(20,670)	-
Effect of exchange rate changes	(3,554)	(19,506)	-	(189)	(5,688)	(28,937)
Balance at March 31, 2023	<u>\$ 325,642</u>	<u>1,937,873</u>	<u>28,969</u>	<u>23,783</u>	<u>626,986</u>	<u>2,943,253</u>
Balance at January 1, 2022	\$ 251,757	1,298,949	74,798	19,381	307,434	1,952,319
Acquisitions	-	1,076	3,693	182	161,652	166,603
Disposals	-	(3,298)	-	-	-	(3,298)
Reclassifications	59,090	117,532	(58,673)	-	(117,949)	-
Effect of exchange rate changes	8,268	34,149	-	(47)	9,246	51,616
Balance at March 31, 2022	<u>\$ 319,115</u>	<u>1,448,408</u>	<u>19,818</u>	<u>19,516</u>	<u>360,383</u>	<u>2,167,240</u>
Accumulated depreciation:						
Balance at January 1, 2023	\$ 51,700	969,730	16,775	13,534	-	1,051,739
Depreciation for the period	3,034	79,502	1,177	819	-	84,532
Effect of exchange rate changes	(566)	(9,897)	-	(155)	-	(10,618)
Balance at March 31, 2023	<u>\$ 54,168</u>	<u>1,039,335</u>	<u>17,952</u>	<u>14,198</u>	<u>-</u>	<u>1,125,653</u>
Balance at January 1, 2022	\$ 5,215	681,319	40,005	10,589	-	737,128
Depreciation for the period	3,284	50,169	527	602	-	54,582
Disposals	-	(3,298)	-	-	-	(3,298)
Reclassifications	31,442	-	(31,442)	-	-	-
Effect of exchange rate changes	1,064	17,670	-	(39)	-	18,695
Balance at March 31, 2022	<u>\$ 41,005</u>	<u>745,860</u>	<u>9,090</u>	<u>11,152</u>	<u>-</u>	<u>807,107</u>
Carrying amounts:						
Balance at March 31, 2023	<u>\$ 271,474</u>	<u>898,538</u>	<u>11,017</u>	<u>9,585</u>	<u>626,986</u>	<u>1,817,600</u>
Balance at January 1, 2023	<u>\$ 276,089</u>	<u>967,650</u>	<u>12,194</u>	<u>10,252</u>	<u>498,086</u>	<u>1,764,271</u>
Balance at March 31, 2022	<u>\$ 278,110</u>	<u>702,548</u>	<u>10,728</u>	<u>8,364</u>	<u>360,383</u>	<u>1,360,133</u>

Please refer to Note 8 for the details of long-term loans secured by housing and buildings.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(9) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation Equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 422,553	59,655	17,455	3,442	503,105
Acquisitions	-	273	-	-	273
Effect of exchange rate changes	(4,578)	(140)	-	-	(4,718)
Balance at March 31, 2023	<u>\$ 417,975</u>	<u>59,788</u>	<u>17,455</u>	<u>3,442</u>	<u>498,660</u>
Balance at January 1, 2022	\$ 400,849	40,830	-	4,029	445,708
Acquisitions	-	1,021	-	-	1,021
Effect of exchange rate changes	10,662	(177)	-	-	10,485
Balance at March 31, 2022	<u>\$ 411,511</u>	<u>41,674</u>	<u>-</u>	<u>4,029</u>	<u>457,214</u>
Accumulated Depreciation:					
Balance at January 1, 2023	\$ 21,856	25,481	12,219	1,071	60,627
Depreciation for the period	3,611	3,438	873	262	8,184
Effect of exchange rate changes	(245)	(74)	-	-	(319)
Balance at March 31, 2023	<u>\$ 25,222</u>	<u>28,845</u>	<u>13,092</u>	<u>1,333</u>	<u>68,492</u>
Balance at January 1, 2022	\$ 6,911	10,908	-	1,814	19,633
Depreciation for the period	3,454	2,208	-	261	5,923
Effect of exchange rate changes	277	(95)	-	-	182
Balance at March 31, 2022	<u>\$ 10,642</u>	<u>13,021</u>	<u>-</u>	<u>2,075</u>	<u>25,738</u>
Carrying amounts:					
Balance at March 31, 2023	<u>\$ 392,753</u>	<u>30,943</u>	<u>4,363</u>	<u>2,109</u>	<u>430,168</u>
Balance at January 1, 2023	<u>\$ 400,697</u>	<u>34,174</u>	<u>5,236</u>	<u>2,371</u>	<u>442,478</u>
Balance at March 31, 2022	<u>\$ 400,869</u>	<u>28,653</u>	<u>-</u>	<u>1,954</u>	<u>431,476</u>

In 2020, the subsidiary VVM purchased the land use rights located in Penang, Malaysia from a related party QLPG for the purpose of production and operation. The original lease term of the land use right is 60 years, and the Group amortizes it over the remaining lease term of 29 years. Please refer to Note 8 for the details of long-term loans secured by land use rights.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(10) Intangible assets

	Goodwill	Sell permit	Brand	Customer Relationship	Purchased software	Patents	Management service contract	Total
Cost:								
Balance at January 1, 2023	\$ 78,833	41,542	38,512	29,542	43,289	4,093	18,660	254,471
Acquisitions	-	-	-	-	483	-	-	483
Effect of exchange rate changes	(1,302)	(784)	(727)	(558)	(163)	-	-	(3,534)
Balance at March 31, 2023	<u>\$ 77,531</u>	<u>40,758</u>	<u>37,785</u>	<u>28,984</u>	<u>43,609</u>	<u>4,093</u>	<u>18,660</u>	<u>251,420</u>
Balance at January 1, 2022	\$ 71,186	42,861	39,735	30,480	38,615	-	-	222,877
Acquisitions	-	-	-	-	445	-	-	445
Effect of exchange rate changes	(1,628)	(981)	(909)	(697)	(203)	-	-	(4,418)
Balance at March 31, 2022	<u>\$ 69,558</u>	<u>41,880</u>	<u>38,826</u>	<u>29,783</u>	<u>38,857</u>	<u>-</u>	<u>-</u>	<u>218,904</u>
Accumulated amortization:								
Balance at January 1, 2023	\$ -	33,233	30,810	14,771	26,701	379	1,284	107,178
Amortization for the period	-	2,057	1,907	914	2,903	138	481	8,400
Effect of exchange rate changes	-	(646)	(599)	(287)	(156)	-	-	(1,688)
Balance at March 31, 2023	<u>\$ -</u>	<u>34,644</u>	<u>32,118</u>	<u>15,398</u>	<u>29,448</u>	<u>517</u>	<u>1,765</u>	<u>113,890</u>
Balance at January 1, 2022	\$ -	25,717	23,841	11,429	16,351	-	-	77,338
Amortization for the period	-	2,164	2,007	962	2,568	-	-	7,701
Effect of exchange rate changes	-	(659)	(610)	(292)	(187)	-	-	(1,748)
Balance at March 31, 2022	<u>\$ -</u>	<u>27,222</u>	<u>25,238</u>	<u>12,099</u>	<u>18,732</u>	<u>-</u>	<u>-</u>	<u>83,291</u>
Carrying amounts:								
Balance at March 31, 2023	<u>\$ 77,531</u>	<u>6,114</u>	<u>5,667</u>	<u>13,586</u>	<u>14,161</u>	<u>3,576</u>	<u>16,895</u>	<u>137,530</u>
Balance at January 1, 2023	<u>\$ 78,833</u>	<u>8,309</u>	<u>7,702</u>	<u>14,771</u>	<u>16,588</u>	<u>3,714</u>	<u>17,376</u>	<u>147,293</u>
Balance at March 31, 2022	<u>\$ 69,558</u>	<u>14,658</u>	<u>13,588</u>	<u>17,684</u>	<u>20,125</u>	<u>-</u>	<u>-</u>	<u>135,613</u>

At the end of the annual financial reporting period, the Group conducted an impairment test on goodwill. Based on the impairment test results conducted by the Group on December 31, 2022, there was no impairment loss for goodwill. For more details, please refer to Note 6 (8) of the 2022 consolidated financial statements. As of March 31, 2022, the Group conducted an assessment of the expected operating revenue and income before tax of the cash generating unit to which the goodwill belongs. There were no indications of impairment.

(11) Short-term borrowing

	2023.3.31	2022.12.31	2022.3.31
Unsecured bank loans	<u>\$ 45,720</u>	<u>46,600</u>	<u>46,980</u>
Unused credit facilities	<u>\$ 341,430</u>	<u>341,650</u>	<u>291,745</u>
Interest Rate	<u>1.02%~1.17%</u>	<u>1.00%~1.16%</u>	<u>1.00%~1.19%</u>

(12) Provisions-warranty

	January to March 2023	January to March 2022
Balance at January 1	\$ 20,278	15,024
Provisions added (reversed) in the current period	(529)	266
Effect of exchange rate changes	(219)	407
Balance at March 31	<u>\$ 19,530</u>	<u>15,697</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

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.

(13) Lease liabilities

The carrying amount of lease liabilities for the Group were as follows:

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Current	<u>\$ 19,478</u>	<u>19,715</u>	<u>8,730</u>
Non-current	<u>\$ 20,501</u>	<u>25,005</u>	<u>22,281</u>

Please refer to Note 6 (24) Financial Instruments for a detailed maturity analysis.

The lease amounts recognized in profit or loss were as follows:

	<u>January to March 2023</u>	<u>January to March 2022</u>
Interest expenses on lease liabilities	<u>\$ 224</u>	<u>114</u>
Expenses relating to short-term leases	<u>\$ 508</u>	<u>139</u>

Lease amount recognized in the Statement of Cash Flow were as follows:

	<u>January to March 2023</u>	<u>January to March 2022</u>
Total cash outflows on leases	<u>\$ 5,672</u>	<u>2,691</u>

(i) Leases of housing and buildings

The Group leases housing and buildings for office premises and factories use. The lease terms usually range from one to ten years, with some leases including options to extend for the same duration as the original contract upon expiration.

(ii) Other leases

The Group leases machinery and transportation equipment for a period of three to five years. For other short-term leases, the Group has chosen to adopt the recognition exemptions regulations and does not recognize the related right-of-use assets and lease liabilities.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(14) Long-term loans

	2023.3.31			
	<u>Loan currency</u>	<u>Interest Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.81%~2.31%	114~117	\$ 684,000
Secured bank loans	MYR	4.06%	117	422,257
Other loans	NTD	4.06%	113	<u>1,204</u>
				1,107,461
Less: current portion of long-term loans				<u>(103,505)</u>
Total				<u>\$ 1,003,956</u>
Unused credit facilities				<u>\$ 421,000</u>

	2022.12.31			
	<u>Loan currency</u>	<u>Interest Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.75%~3.125%	114~116	\$ 877,958
Secured bank loans	MYR	4.06%	117	444,913
Secured bank loans	NTD	4.06%	113	<u>1,446</u>
				1,324,317
Less: current portion of long-term loans				<u>(163,066)</u>
Total				<u>\$ 1,161,251</u>
Unused credit facilities				<u>\$ 546,000</u>

	2022.3.31			
	<u>Loan currency</u>	<u>Interest Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.13%~1.55%	111~115	\$ 859,468
Secured bank loans	MYR	3.06%	117	<u>462,720</u>
				1,322,188
Less: current portion of long-term loans				<u>(204,260)</u>
Total				<u>\$ 1,117,928</u>
Unused credit facilities				<u>\$ 290,000</u>

Please refer to Note 8 for details on the assets pledged as collateral for bank loans.

(15) Long-term payables

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

On January 10, 2019 (the acquisition date), the Company acquired the shareholding ratio of 100% of a subsidiary, From-eyes, from Tomey Contact Lens Co., Ltd., for a total amount of JPY800,000 thousand. The Company agreed to make installment payments based on the equity trading agreement, and as of December 31, 2022, a total of JPY580,000 thousand has been paid. The remaining amount will be paid in equal installments of JPY110,000 thousand over the next two years each year. However, in the first quarter of 2023, the Company not paid JPY110,000 thousand for the current period but also paid the final installment of JPY110,000 thousand in advance. As of March 31, 2023, the entire payment related to the acquisition has been settled. On December 31, 2022, and March 31, 2023, the present value of acquisition consideration payable of 51,040 thousand and 51,125 thousand, respectively, which were recognized in other payables and long-term payables.

The net cash outflows for the acquisition costs payable mentioned above were as follows:

	January to March 2023	January to March 2022
Acquisition costs payable at the beginning of period	\$ 51,040	78,668
Add: Discounted amortization	220	111
Less: Exchange rate changes	99	(1,133)
Less: Acquisition costs payable at the end of period	-	(51,125)
Net cash outflows	<u>\$ 51,359</u>	<u>26,521</u>

(16)Employee benefits

The Company and VCT's defined contribution plan comply with the regulations of the Labor Pension Act. The Group makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries. Foreign subsidiaries allocate pension according to the relevant local laws and regulations. Under this plan, once the fixed amount is allocated by the Group, the Group has no legal or constructive obligations to make additional payments. Under the defined pension allocation regulations, the Group's pension expenses from January 1 to March 31 in 2023 and 2022 amounted to NT\$5,415 thousand and NT\$3,744 thousand, respectively.

(17)Income Tax

	January to March 2023	January to March 2022
Current income tax expenses	\$ 18,023	13,830
Deferred income tax expenses (benefits)	(32,340)	6,321
Income tax expenses (benefits)	<u>\$ (14,317)</u>	<u>20,151</u>

No income tax was directly recognized in equity or other comprehensive income from January 1 to March 31 in 2023 and 2022.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

Income tax assessment

The corporate income tax return of the Company has been examined and approved by the Tax Authorities until 2021.

(18) Capital stock and other equity

(i) Capital stock - common shares

As of March 31, 2023, December 31, 2022, and March 31, 2022, the Company's total authorized capital is NT\$900,000 thousand, with a par value of NT\$10 per share and 90,000 thousand shares. The issued and outstanding shares are 63,000 thousand shares, 63,000 thousand shares, and 54,727 thousand shares, respectively. All issued shares were paid up upon issuance.

The adjustment table of the Company's outstanding shares for the first quarter of 2023 and 2022 were as follows:

	(Expressed in thousand shares)	
	<u>January to March 2023</u>	<u>January to March 2022</u>
Ending balance (equal to beginning balance)	<u>63,000</u>	<u>54,727</u>

On October 5, 2022, the Company's Board of Directors approved the issuance of common stock of 8,273 thousand shares for the purpose of initial public offering, including 7,033 thousand shares publicly underwritten and 1,240 thousand shares for employee subscription. The weighted average price obtained through competitive auction was NT\$183.12, while the public offering and employee subscription price was set at NT\$168 per share. The total funds raised amounted to NT\$1,474,993 thousand. The base date of the capital increase was November 24, 2022.

(ii) Capital surplus

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Paid-in capital in excess of par value of common shares	<u>\$ 1,431,007</u>	<u>1,431,007</u>	<u>38,040</u>

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.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(iii) Retained earnings

According to the Company's Articles of Incorporation, if the Company has a net profit for the current year, taxes should be paid first and offset past losses, and then set aside 10% as a legal capital reserve. However, this does not apply when the legal capital reserve has reached the total paid-up capital. In addition, special reserves shall be transferred or reserved according to the laws or regulations stipulated by the competent authority when necessary. Any remaining earnings in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution.

Furthermore, according to the Company's Articles of Incorporation, the distribution of earnings and offsets of losses are conducted on a semi-annually basis after the close of each half year. After being reviewed by the Audit Committee along with the business report and financial statements, they are presented to the Board of Directors for resolution and reported at the shareholders' meeting.

If the Company's distribution of earnings is in the form of cash dividends, it shall be handled according to the regulations mentioned in the preceding paragraph. If the new shares are issued, it shall be handled according to the Article 240 of the Company Act.

The Company may issue new shares or cash from the legal reserve or capital surplus according to the Article 241, Paragraph 2 of the Company Act. If the distribution in the preceding paragraph is in cash, it shall be authorized by Board of Directors and then reported to the shareholders' meeting.

The Company belongs to a technology-intensive industry with growing stage. 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. If the company has annual earnings and intends to distribute dividends, in consideration of future expansion of the operation and cash flow needs, the ratio of cash dividend distributed every year shall not be less than 10% of the total amount of cash and stock dividends distributed for that year. The total amount of dividends distributed from earnings shall not be less than 10% of the accumulated undistributed earnings.

(i) Legal reserve

According to the Company Act, legal reserve can be used to offset losses. When the company has no losses, it may, upon resolution by the shareholders' meeting, 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.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(ii) Special reserve

According to the regulations of the FSC, when distributing distributable earnings, the Company shall calculate the difference between the net reduction amount of other shareholders' equity recorded in the current year and the balance of the special reserve account set aside. The current net income after tax plus the items other than current net income after tax, shall be recorded in the current unappropriated earnings and recognized in the special reserve with the unappropriated earnings from the previous period. However, for the reduction amount of accumulated other shareholders' equity from previous periods shall not be distributed when unappropriated earnings from previous periods is set aside as legal reserve. If there is a reversal in the reduction of other shareholders' equity, the earnings can be distributed based on the reversed portion.

(iii) Distribution of Earnings:

The distribution of cash dividends from earnings for 2022 and 2021 resolved by the Board of Directors in March 3, 2023 and March 10, 2022 were as follows:

	2022		2021	
	Dividends Per Share (NT\$)	Amount	Dividends Per Share (NT\$)	Amount
Dividends distributed to owners:				
Cash	\$ 5.50	<u><u>346,500</u></u>	4.00	<u><u>218,907</u></u>

Information regarding dividend distribution can be obtained on the Market Observation Post System website.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(iv) Other equity (net after tax)

	Foreign currency translation differences	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (119,796)	-	(119,796)
Foreign exchange differences arising from translation of foreign operations	(28,108)	-	(28,108)
Unrealized gains on financial assets at fair value through other comprehensive income	-	16,767	16,767
Balance at March 31, 2023	<u>\$ (147,904)</u>	<u>16,767</u>	<u>(131,137)</u>
Balance at January 1, 2022	\$ (216,467)	-	(216,467)
Foreign exchange differences arising from translation of foreign operations	38,365	-	38,365
Balance at March 31, 2022	<u>\$ (178,102)</u>	<u>-</u>	<u>(178,102)</u>

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

	January to March 2023	January to March 2022
Beginning balance	\$ 24,528	-
Shares attributable to non-controlling interests:		
Net loss for the current period	(1,531)	-
Ending balance	<u>\$ 22,997</u>	<u>-</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(19) Share-based payment

There are no significant changes in the share-based payment of the Group disclosed in Note 6 (17) of the 2022 Consolidated Financial Statements.

(20) Earnings per Share

(i) Basic Earnings per Share

	<u>January to March 2023</u>	<u>January to March 2022</u>
Net income attributable to the Company common stockholders	<u>\$ 39,053</u>	<u>154,558</u>
Weighted average number of outstanding common stocks (in thousands)	<u>63,000</u>	<u>54,727</u>
Basic Earnings per Share (NTD)	<u>\$ 0.62</u>	<u>2.82</u>

(ii) Diluted Earnings per Share

	<u>January to March 2023</u>	<u>January to March 2022</u>
Net income attributable to the Company common stockholders	<u>\$ 39,053</u>	<u>154,558</u>
Weighted average number of outstanding common stocks (basic) (in thousands)	63,000	54,727
Effect of dilutive potential common shares (in thousands)		
Remuneration to employees in stock	120	195
Weighted average number of outstanding common stocks (in thousands) (including the effect of dilutive potential common shares)	<u>63,120</u>	<u>54,922</u>
Diluted Earnings per Share (NTD)	<u>\$ 0.62</u>	<u>2.81</u>

(21) Revenue from contracts with customers

(i) Breakdown of revenue

	<u>January to March 2023</u>	<u>January to March 2022</u>
Primary sales regions and markets:		
Asia	\$ 363,217	481,239
Europe	138,126	130,767
Americas	24,482	30,097
	<u>\$ 525,825</u>	<u>642,103</u>
Main product/ service lines:		
Contact lenses	\$ 523,720	641,971
Others	2,105	132
	<u>\$ 525,825</u>	<u>642,103</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(ii) Contract balance

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Accounts receivable (including related parties)	\$ 358,621	324,178	421,489
Less: Loss allowances	(25,444)	(24,235)	-
	<u>\$ 333,177</u>	<u>299,943</u>	<u>421,489</u>
Contract liabilities	<u>\$ 13,684</u>	<u>20,905</u>	<u>7,595</u>

Please refer to Note 6 (4) for the disclosure of accounts receivables and impairments.

The contract liabilities are mainly due to timing difference between transfer of goods or services by the Group to customers to fulfill performance obligations and customer payment.

The contract liabilities of January 1, 2023 and 2022 and from January 1 to March 31, 2023, and 2022 recognized as revenue were NT\$20,126 thousand and NT\$6,824 thousand, respectively.

(22) Remuneration to employees and directors

According to the Company's Articles of Incorporation, in the event of profits in the year, a contribution of 5% to 20% shall be allocated for employee remuneration, and a contribution of not exceeding 1% shall be allocated for director's remuneration. However, when the company has accumulated losses, an amount for offsetting the losses should be reserved in advance, and the contribution should be calculated based on the balance. The recipients of employee remuneration in the form of stocks or cash mentioned above may include employees from domestic and foreign subordinate companies who meet certain conditions.

The estimated amounts for employee remuneration from January 1 to March 31, 2023, and 2022 were NT\$6,360 thousand and NT\$15,726 thousand, respectively. The estimated amounts for the director's remuneration were NT\$356 thousand and NT\$981 thousand, respectively. These estimates are based on the Company's net income before tax for the respective periods before deducting the amount of employee and director compensation, multiplied by the distribution of employees and director's remuneration stipulated in the Company's Articles of Incorporation. They are recognized as operating expenses for the respective periods. If there is a difference between the actual distribution amount and the estimated amount, it will be handled according to the changes in the accounting estimate. The difference will be recognized in the next year's profit or loss.

The estimated amounts for employee remuneration in 2022 and 2021 were NT\$49,196 thousand and NT\$28,553 thousand, respectively. The estimated amount for director's remuneration were NT\$4,350 thousand and NT\$2,441 thousand, respectively, which are consistent with the amount resolved and distributed by the Board of Directors and will be fully distributed in cash. Relevant information is available on the Market Observation Post System website.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(23) Non-operating income and expenses

(i) Interest income

	January to March 2023	January to March 2022
Interest income from bank deposits	\$ 3,839	79

(ii) Other income

	January to March 2023	January to March 2022
Insurance claim income	\$ -	14,351
Others	115	76
	\$ 115	14,427

(iii) Other gains and losses

	January to March 2023	January to March 2022
Net foreign exchange gains (losses)	\$ (6,061)	(2,194)

(iv) Finance costs

	January to March 2023	January to March 2022
Interest expenses:		
Bank loans	\$ (8,756)	(5,700)
Lease liabilities	(224)	(114)
Payables on acquisition considerations	(220)	(111)
	\$ (9,200)	(5,925)

(24) Financial instruments

Apart from the following explanations, there have been no significant changes in the exposure of the Group to credit risk, liquidity risk, and market risk due to financial instruments. For relevant information, please refer to Note 6 (22) and (23) of the 2022 Consolidated Financial Statements.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(i) Category of financial instruments

1) Financial assets

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Financial assets measured at fair value through other comprehensive income - non-current	\$ 88,225	-	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	1,115,320	1,801,461	272,935
Accounts receivable and other receivables (including related parties)	338,434	338,666	445,685
Financial assets measured at amortized cost - current	210,926	11,045	10,659
Other Financial Assets - Non-current	2,823	2,872	1,881
Subtotal	<u>1,667,503</u>	<u>2,154,044</u>	<u>731,160</u>
Total	<u>\$ 1,755,728</u>	<u>2,154,044</u>	<u>731,160</u>

2) Financial liabilities

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Financial liabilities measured at amortized cost:			
Short-term loans	\$ 45,720	46,600	46,980
Notes and accounts payable (including related parties)	165,939	188,233	230,822
Payables on equipment and other payables	350,924	415,014	305,589
Dividends payable	346,500	-	218,907
Lease liabilities (including current and non-current)	39,979	44,720	31,011
Long-term loans (including current portion)	1,107,461	1,324,317	1,322,188
Long-term payables	-	25,630	25,674
	<u>\$ 2,056,523</u>	<u>2,044,514</u>	<u>2,181,171</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(ii) Information on fair value

1) Financial Instruments not Measured at Fair Value

The management of the Group considers that the carrying amount of the financial assets and financial liabilities measured at amortized costs are close to their fair value.

2) Financial Instruments Measured at Fair Value

The financial assets measured at fair value through other comprehensive income by the Group are measured at fair value on a recurring basis. The table below shows an analysis of financial instruments measured at fair value after initial recognition, categorized into Level 1 to Level 3 based on the observability of fair value. The definition for each fair value level is as follows:

- A. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- B. Level 2: Other than quoted prices included within Level 1, the input parameters for assets or liabilities can either be observed directly (i.e. as prices) or indirectly (i.e. deduced from prices).
- C. Level 3: The input parameters for assets or liabilities are not based on observable market data (non-observable parameters).

	2023.3.31			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:				
Domestically listed stocks	\$ 88,225	-	-	88,225
	\$ 88,225	-	-	88,225

3) Valuation technique of value measurement for financial instruments at fair value

When there are open quotations of financial instruments in the active market, their fair value is determined based on the open quotations in the active market.

The Group holds domestically listed stocks with standard terms and conditions and are traded in the active market. Its fair value is determined based on the market quotations.

(iii) Liquidity risk

Liquidity risk is the risk that the Group may be unable to settle its financial liabilities by settling with cash or other financial assets, resulting in the failure to fulfill its related obligations. The Group regularly monitors its current and projected medium and long-term demand for capital. It maintains sufficient cash and cash equivalents, as well as credit line and ensures compliance with the terms of the loan contract to manage liquidity risk. The unused credit line for the Group as of March 31, 2023, December 31, and March 31, 2022 were NT\$762,430 thousand, NT\$887,650 thousand, and NT\$581,745 thousand,

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

respectively.

The following tables explain the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods, including interest payable. The tables had been drawn up based on the undiscounted cash flows from the earliest date on which the Group can be required to repay.

	Contractual cash flows	Within 6 months	6-12 months	1-2 year(s)	2-5 years	Over 5 Years
March 31, 2023						
Non-derivative financial liabilities						
Short-term loans	\$ 45,808	45,808	-	-	-	-
Notes and accounts payable (including related parties)	165,939	165,939	-	-	-	-
Dividends payable	346,500	346,500	-	-	-	-
Payables on equipment and other payables (including related parties)	350,924	350,924	-	-	-	-
Lease liabilities (including current and non-current)	41,243	10,395	9,694	10,684	10,470	-
Long-term loans (including current portion)	1,193,047	64,605	68,708	249,988	783,322	26,424
	<u>\$ 2,143,461</u>	<u>984,171</u>	<u>78,402</u>	<u>260,672</u>	<u>793,792</u>	<u>26,424</u>
December 31, 2022						
Non-derivative financial liabilities						
Short-term loans	\$ 46,689	46,689	-	-	-	-
Notes and 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 loans (including current portion)	1,420,220	88,593	107,698	312,978	861,811	49,140
Long-term payables	25,630	-	-	25,630	-	-
	<u>\$ 2,141,633</u>	<u>748,940</u>	<u>117,723</u>	<u>2,036,960</u>	<u>839,546</u>	<u>49,140</u>
March 31, 2022						
Non-derivative financial instruments						
Short-term loans	\$ 47,300	30,769	16,531	-	-	-
Notes and accounts payable (including related parties)	230,822	230,822	-	-	-	-
Dividends payable	218,907	218,907	-	-	-	-
Payables on equipment and other payables (including related parties)	305,589	279,750	25,839	-	-	-
Lease liabilities (including current and non-current)	31,881	5,052	4,021	7,401	12,970	2,437
Long-term loans (including current portion)	1,397,816	98,756	130,219	353,166	718,213	97,462
Long-term payables	25,839	-	-	25,839	-	-
	<u>\$ 2,258,154</u>	<u>864,056</u>	<u>176,610</u>	<u>386,406</u>	<u>731,183</u>	<u>99,899</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

The Group did not anticipate significant early occurrence or differences in the actual amounts of cash flows from the analysis on the maturity date.

(iv) Foreign exchange risk

For the significant monetary assets and liabilities of the Group denominated in non-functional currencies and relevant sensitivity analysis on the reporting date were as follows (including the monetary items that have been eliminated in the consolidated financial statements):

2023.3.31					
	Foreign currencies(in thousands)	Exchange Rate	NTD(in thousands)	Range of exchange rate changes	Impact of the profit or loss (before tax) (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 19,335	30.480	589,331	1%	5,893
EUR	1,822	33.315	60,700	1%	607
RMB	6,010	4.4377	26,671	1%	267
JPY	451,745	0.2286	103,269	1%	1,033
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	15,409	30.480	469,666	1%	4,697
KRW	470,923	0.0234	11,020	1%	110
2022.12.31					
	Foreign currencies(in thousands)	Exchange Rate	NTD(in thousands)	Range of exchange rate changes	Impact of the profit or loss (before tax) (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 23,369	30.730	718,129	1%	7,181
EUR	2,106	32.820	69,119	1%	691
RMB	3,182	4.4057	14,019	1%	140
JPY	590,688	0.2330	137,630	1%	1,376
<u>Financial liabilities</u>					
<u>Monetary items</u>					
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

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

2022.3.31					
	Foreign currencies(in thousands)	Exchange Rate	NTD(in thousands)	Range of exchange rate changes	Impact of the profit or loss (before tax) (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 22,849	28.600	653,481	1%	6,535
EUR	2,277	31.975	72,807	1%	728
JPY	219,572	0.2349	51,577	1%	516
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	17,183	28.600	491,434	1%	4,914
JPY	220,000	0.2349	51,678	1%	517

The Group discloses the information on foreign exchange gains and losses of monetary items by summarizing. Please refer to Note 6 (23) for detailed information.

The net foreign exchange losses (including realized and unrealized) from January 1 to March 31, 2023 and 2022, were NT\$6,061 thousand and NT\$2,194 thousand, respectively.

(v) Other market price risk

The Group invests in listed equity securities, which results in risks of changes in the price of securities. The Group manages and actively monitors its investment performance on a fair value basis.

The sensitivity analysis of equity instruments price risk is calculated based on the changes in fair value as of the end of the financial reporting period. If the price of the equity instruments increase/decrease by 5%, the amount of other comprehensive income on March 31, 2023, will change by NT\$4,411 thousand.

(25) Financial risk management

There are no significant changes in the financial risk management objectives and policies of the Group disclosed in Note 6 (23) of the 2022 Consolidated Financial Statements.

(26) Capital Management

Based on the current operational characteristics of the industry, the future development of the Company, and considering external environmental changes, the Group has planned operating capital needs for the future. This is to ensure the continuous operation of the Group, return to shareholders, and balance the interests of other stakeholders. The Group maintains the best capital structure to increase shareholder value in the long term.

The Group monitors its funds through regular reviews of its liabilities to equity ratio.

The liabilities to equity ratio on the reporting date is as follows:

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Total liabilities	\$ 2,202,079	2,185,255	2,236,469
Less: Cash and cash equivalents	(1,115,320)	(1,801,461)	(272,935)
Net liabilities	<u>\$ 1,086,759</u>	<u>383,794</u>	<u>1,963,534</u>
Total Equity	<u>\$ 2,788,421</u>	<u>3,108,740</u>	<u>1,087,333</u>
Liabilities to equity ratio	<u>38.97%</u>	<u>12.35%</u>	<u>180.58%</u>

As of March 31, 2023 and December 31, 2022, the liabilities to equity ratio decreased compared to the ratio as of March 31, 2022. This is mainly due to the cash capital increase and continued profitability of the Group in the fourth quarter of 2022, resulting in an increase in total equity.

- (i) Investing and financing activities not affecting cash flows The Group acquires the right-of-use assets through lease. Please refer to Note 6 (9) for more details.
- (ii) Reconciliation of liabilities arising from financing activities were presented in the following table:

	<u>2023.1.1</u>	<u>Cash flows from:</u>	<u>Non-cash changes</u>		<u>2023.3.31</u>
			<u>Additional lease liabilities</u>	<u>Exchange rate changes</u>	
Short-term loans	\$ 46,600	-	-	(880)	45,720
Long-term loans (including current portion)	1,324,317	(212,074)	-	(4,782)	1,107,461
Lease liabilities (including current portion)	44,720	(4,940)	273	(74)	39,979
Total liabilities from financing activities	<u>\$ 1,415,637</u>	<u>(217,014)</u>	<u>273</u>	<u>(5,736)</u>	<u>1,193,160</u>

	<u>2022.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>2022.3.31</u>
			<u>Additional lease liabilities</u>	<u>Exchange rate changes</u>	
Short-term loans	\$ 48,080	-	-	(1,100)	46,980
Long-term loans (including current portion)	1,126,812	183,388	-	11,988	1,322,188
Lease liabilities (including current portion)	32,507	(2,438)	1,021	(79)	31,011
Total liabilities from financing activities	<u>\$ 1,207,399</u>	<u>180,950</u>	<u>1,021</u>	<u>10,809</u>	<u>1,400,179</u>

7. Related Party Transactions

- (a) Names and relations of related parties

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

The related parties that trade with the Group during the periods covered in the Consolidated Financial Statements are as follows:

<u>Related Party</u>	<u>Relationship with the Group</u>
BenQ Materials Corp (BMC)	Individuals that have significant impact on the Group
Qisda Corporation (Qisda)	It is the parent company of BMC and is an individual that has significant impact on the Group
Qisda Sdn. Bhd. (QLPG)	Other related party (the subsidiary of Qisda)
Benq Dialysis Technology Corp. (BDT)	Other related party (the subsidiary of Qisda)
Concord Medical Co., Ltd. (Concord)	Other related party (the subsidiary of Qisda) (Note 1)
Apaugma Eye Clinic	Substantive related party

(Note 1) Qisda Group obtained control over Concord on January 20, 2022. Thus, it became a related party of the Group from that date onwards.

(b) Information on significant transactions between related parties

(i) Net operating revenue

The significant sales amounts of the Group to related parties are as follows:

	<u>January to March 2023</u>	<u>January to March 2022</u>
Significant impact on the Group BMC	<u>\$ 63,113</u>	<u>88,545</u>

The sales prices of the Group to the aforementioned related parties are determined based on market competition. The payment terms are 60 days, which is not significantly different from regular transactions.

(ii) Purchase of goods

Purchase amount from related parties by the Group is as follows:

	<u>January to March 2023</u>	<u>January to March 2022</u>
Significant impact on the Group-BMC	<u>\$ 35,899</u>	<u>36,108</u>

The purchase prices from the aforementioned related parties by the Group cannot be compared to the prices of the general transaction due to different product specifications. The payment terms for these purchases are 60 days. For other suppliers, the payment terms range from 30 to 90 days.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(iii) Leases

The Group leases offices premises and factories of the related parties, and the leasing fees are determined based on the rental market conditions in the surrounding area. The lease is paid on a monthly basis.

The amount of interest expense recognized by the Group for the aforementioned lease transactions is as follows:

	<u>Interest expenses</u>	
	<u>January to March 2023</u>	<u>January to March 2022</u>
Significant impact on the Group	<u>\$ 28</u>	<u>35</u>

The lease income from leasing offices to other related parties (QLPG) for January 1 to March 31, 2023, and 2022, amounted to NT\$15,000 and NT\$14,000, respectively.

(iv) Management service revenue

The Group recognized management service revenue of NT\$2,034 thousand for providing relevant medical management services to substantive related parties from January 1 to March 31, 2023.

(v) Dividends

The details of dividends payable to related parties by the Group as of March 31, 2023, December 31, and March 31, 2022 are as follows:

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Significant impact on the Group BMC	<u>\$ 51,336</u>	<u>-</u>	<u>39,335</u>

(vi) Operating expenses

The amounts paid by the Group to related parties for information system services fees and other expenses are as follows:

	<u>January to March 2023</u>	<u>January to March 2022</u>
Significant impact on the Group	<u>\$ 57</u>	<u>112</u>

(vii) Receivables from related parties

Details of the Group's receivables from related parties:

<u>Accounting Subject</u>	<u>Type of Related Party</u>	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Accounts receivable	Significant impact on the Group BMC	\$ 55,002	34,905	68,167
Accounts receivable	Substantive related party	67	76	-
		<u>\$ 55,069</u>	<u>34,981</u>	<u>68,167</u>
Other receivables	Significant impact on the Group BMC	<u>\$ -</u>	<u>11</u>	<u>-</u>

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(viii) Payables to related parties

As a result of the transactions mentioned above and various expenses paid in advanced by related parties on behalf of the Group, relevant details of the payable proceeds for related parties are as follows:

<u>Accounting Subject</u>	<u>Type of Related Party</u>	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Accounts payable	Significant impact on the Group BMC	<u>\$ 23,273</u>	<u>31,530</u>	<u>37,197</u>
Other payables	Significant impact on the Group	685	1,139	1,022
Other payables	Other related party	-	15	307
		<u>\$ 685</u>	<u>1,154</u>	<u>1,329</u>
Lease liabilities - current	Significant impact on the Group-Qisda	\$ 3,097	2,968	2,755
Lease liabilities - non-current	Significant impact on the Group-Qisda	3,240	3,843	5,643
		<u>\$ 6,337</u>	<u>6,811</u>	<u>8,398</u>

(c) Remuneration for key management personnel

	<u>January to March 2023</u>	<u>January to March 2022</u>
Short-term employee benefits	\$ 4,731	5,015
Benefits after retirement	54	27
	<u>\$ 4,785</u>	<u>5,042</u>

8. Pledged Assets

The detailed book value of assets pledged as collateral by the Group are as follows:

<u>Name of Asset</u>	<u>Pledged Collaterals</u>	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Restricted bank deposits	Performance bonds	\$ 10,926	11,045	10,659
Land use rights and buildings	Bank loans	624,999	637,473	637,913
		<u>\$ 635,925</u>	<u>648,518</u>	<u>648,572</u>

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Contractual commitments unrecognized by the Group are as follows:

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Acquisition of property, plant, and equipment	<u>\$ 202,524</u>	<u>274,131</u>	<u>486,332</u>

10. Significant loss from disaster: None.

11. Significant subsequent events: None.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

12. Others

- (a) The Group's employee benefits and depreciation and amortization expenses by function are as follows:

Function Nature	January to March 2023			January to March 2022		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salaries	82,197	47,016	129,213	51,581	58,203	109,784
Labor and health insurance	1,128	3,995	5,123	620	3,234	3,854
Pensions	2,876	2,539	5,415	2,033	1,711	3,744
Other employee benefits	1,878	1,643	3,521	901	1,533	2,434
Depreciation expenses	80,126	12,590	92,716	49,991	10,514	60,505
Amortization expenses	-	8,400	8,400	-	7,701	7,701

- (b) The operations of the Group are not significantly affected by seasonal or cyclical factors.

13. Supplementary Disclosures

- (a) Information on Significant Transactions

According to the regulations of the Preparation Standards, the relevant information on significant transactions that the Group is required to disclose is as follows:

- (i) Loans provided for others:

Expressed in Thousands of New Taiwan Dollars /Malaysian Ringgit

Number	Companies that provide loans to others	Loan recipient	Ledger Account Involved	Whether he/she is a related party	Maximum Amount for the Current Period	Ending balance	Actual Amount Drawn	Interest Rate	Nature of the Loans Provided	Business transaction amount	Reasons for the need of short-term funding	Amount of loss allowances set aside	Collateral		Limits on the amounts that may be loaned for individuals	Total limits on the amounts that may be loaned
													Name	Value		
1	VVM	VVM	Other receivables-related parties	Yes	12,740 (MYR1,800)	12,441 (MYR1,800)	12,441 (MYR1,800)	5%	2	-	Operating turnover	-	-	-	912,388	912,388

Note 1. VVM's total loan provided to others shall not exceed 40% of VVM's net worth per latest financial statements.

Note 2. VVM's limits on the amounts that may be loaned to subsidiaries shall not exceed 40% of VVM's net worth per latest financial statements.

Note 3. The nature of the loans provided is classified as 1 for those with business transactions and 2 for those with needs for short-term funding.

Note 4. The transactions above have been offset when preparing the Consolidated Financial Statements.

- (ii) Endorsements/Guarantees Provided for Others:

Expressed in Thousands of New Taiwan Dollars/ Japanese Yen

Number	Endorser/ Guarantor	Endorsee/ Guarantee		Limit on Endorsements /Guarantees Provided for Single Entity (Note 3)	Maximum Endorsement/ Guarantee Balance	Ending Balance	Actual Amount Drawn	Amount of Endorsements /Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement/ Guarantee Ceiling (Note 3)	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsements/ Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship (Note 1)										
0	The Company	From-eyes	2	1,382,712	107,750 (JPY250,000 and NTD50,000)	107,150 (JPY250,000 and NTD50,000)	45,720 (JPY200,000)	-	3.87%	1,382,712	Y	-	-

Note 1. The relationships between endorsers/guarantors and endorseees/guarantees: 2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

Note 2. The endorsements/guarantees provided for a single entity by the Company shall not exceed 50% of the Company's net worth per latest financial statements (excluding 50%).

Note 3. The total endorsements/guarantees provided for other parties by the Company shall not exceed 50% of the Company's net worth per latest financial statements (excluding 50%).

(iii) Securities held at end of period (excluding investments in subsidiaries, associates, and joint ventures):

Expressed in Thousands of New Taiwan Dollars /Shares

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Number of Shares	Carrying amount	Percentage of Ownership	Fair value	
The Company	Crystalvue Medical Corporation Stock	-	Financial assets at fair value through other comprehensive income- non-current	1,191	88,225	4.90 %	88,225	

(iv) Accumulated Purchase or Sale of the Same Securities Amounting to NT\$300 Million or 20% of Paid-in Capital or More:

Expressed in Thousands of New Taiwan Dollars /Shares

Company Name	Type and Name of Securities	Ledger Account	Counterparty	Relationship	Beginning of Period		Purchase		Sale				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Selling Price	Carrying Cost	Gains (Losses) on Disposal	Number of Shares	Amount (Note 1)
The Company	VVM Stock	Investments Accounted for Using the Equity Method	VVM	Parent company and subsidiaries	230,144	2,187,285	22,122	153,235	-	-	-	-	252,266	2,299,664

Note 1. It includes the profit or loss and other related adjustments recognized under the equity method.

(v) The transactions above have been offset when preparing the Consolidated Financial Statements.

Acquisition of property amounting to NT\$300 million or 20% of paid-in capital or more:

Expressed in Thousands of New Taiwan Dollars /Malaysian Ringgit

Acquirer of Real Estate	Name of Property	Date of Transaction or Occurrence	Amount of Transaction	Status of Payment	Counterparty	Relationship	Information on Prior Transaction If the Counterparty Is Related				Basis or Reference for Price Setting	Purpose of Acquisition and Usage Status	Other Agreed Items
							Owner	Relationship with the Issuer	Date of Transfer	Amount			
VVM	Buildings	2022.1.27 (date of the Board's resolution)	332,448 (MYR48,100)	291,918 (MYR42,236)	BNQ Engineering Sdn. Bhd.	-	-	-	-	-	According to market conditions and the supplier's price negotiation	To meet production and operational needs.	None

Note: The above-mentioned amount in NTD is converted based on the exchange rate of MYR to TWD on March 31, 2023, which is 6.9116.

(vi) Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more: None.

(vii) Purchases or Sales with Related Parties Amounting to NT\$100 Million or 20% of Paid-up Capital or More:

Expressed in Thousands of New Taiwan Dollars

Company	Counterparty	Relationship	Transaction				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales)	Credit Period	Unit price	Credit Period	Balance	Percentage of Notes and Accounts Receivable (Payable)	
VVM	The Company	Parent company and subsidiaries	(Sales)	(302,511)	(100)%	Payment made in 60 days	(Note 3)	(Note 1)	184,385	100%	(Note 4)
The Company	VVM	Parent company and subsidiaries	Purchase of goods	302,511	100%	Payment made in 60 days	(Note 2)	(Note 1)	(184,385)	(95)%	(Note 4)

Note 1. There are no significant differences from regular transactions.

Note 2. As there are no purchases of similar products from other suppliers, the Company is unable to compare with regular transactions.

Note 3. The sales are primarily made to the Company, and there are no regular transactions for comparisons.

Note 4. The transactions to the left have been offset when preparing the Consolidated Financial Statements.

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

(viii) Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more:

Expressed in Thousands of New Taiwan Dollars

Companies that are recorded in the receivables	Counterparty	Relationship	Balance of the receivables from related parties	Turnover	Overdue receivables from related parties		The amount collected after the due date of the receivables from related parties	Amount of loss allowances set aside
					Amount	Handling method		
VVM	The Company	Parent company and subsidiaries	184,385	5.93	-	-	127,788	-

Note: The transactions above have been offset when preparing the Consolidated Financial Statements.

(ix) Derivatives transactions: None.

(x) Intercompany Relationships and Significant Intercompany Transactions

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Description of Transactions (Note 3)			
				Ledger Account	Amount	Transaction Term	Percentage of Consolidated Total Revenue or Total Assets (Note 4)
0	The Company	From-eyes	1	Sales	(91,974)	Payment made in 60 days	(17.49) %
0	The Company	From-eyes	1	Accounts receivable	55,253	Payment made in 60 days	1.11 %
1	VVM	The Company	2	Sales	(302,511)	Payment made in 60 days	(57.53) %
1	VVM	The Company	2	Accounts receivable	184,385	Payment made in 60 days	3.69 %

Note 1. Numbered according to the following method:

1. For the parent company, fill in 0.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2. Relationships with counterparties are indicated as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3. Intercompany relationships and significant intercompany transactions only disclose the information on sales and accounts receivable. The corresponding information regarding the purchase of goods and accounts payable is not reiterated.

Note 4. It is calculated by dividing the amount of transaction by the consolidated operating revenue or total assets.

Note 5. The transactions above have been offset when preparing the Consolidated Financial Statements.

(b) Information on Investees:

Expressed in Thousands of New Taiwan Dollars /Shares

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment Profit and Loss Recognized	Remark
				Ending Balance for the Current Period	The end of last year	Number of Shares	Shareholding	Carrying amount			
The Company	VVM	Malaysia	Manufacturing, processing, and sales of contact lenses	1,851,091	1,697,856	252,266	100.00%	2,299,664	(16,897)	(16,897)	Parent company and subsidiaries
The Company	From-eyes	Japan	Sales of contact lenses	220,441	220,441	1	100.00%	207,315	(10,335)	(13,719)	Parent company and subsidiaries
The Company	VCT	Taiwan	Medical management consulting services	44,000	44,000	4,400	55.00%	37,946	(2,919)	(1,871)	Parent company and subsidiaries
VVM	VMM	Malaysia	Lease and management services	3,696	3,696	500	100.00%	1,713	(68)	(68)	Parent company and subsidiaries

Note: When the Consolidated Financial Statements are prepared the amounts have been offset.

(c) Information on investments in mainland China:

(i) The name of the investees in mainland China, main business activities and other relevant information:

Notes to Visco Vision Inc. and subsidiaries Consolidated Financial Statements (Continued)

Expressed in Thousands of United States Dollars/Renminbi/New Taiwan Dollars

Investee	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Investment Outflow or Repatriated Inflow for the Amount Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Ratio of the Company's Direct or Indirect Ownership	Investment Profit (Loss) Recognized	Book Value of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
TYC	Sales of contact lenses	15,533 (CNY3,500) (Note 2)	(Note 1)	15,533 (CNY3,500)	-	-	15,532 (CNY3,500)	1,193	100.00%	1,193	14,451	-

Note 1. Direct investment in mainland China.

Note 2. Except for the paid-in capital, which is measured using the historical exchange rate between CNY and NTD, the rest is converted using the exchange rate of 4.4377 at the end of the period from CNY to NTD.

(ii) Ceiling on Amount of Investments in Mainland China

Expressed in Thousands

Name of Company	Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments in Mainland China Stipulated by Investment Commission, M.O.E.A.
The Company	111,849 (Note 2) (USD3,160 and CNY 3,500)	113,068 (Note 2) (USD3,200 and CNY 3,500)	1,659,254

Note 1. It is converted using the exchange rate of 30.48 from USD to NTD and the exchange rate of 4.4377 from CNY to NTD at the end of the period.

Note 2. These amounts include an investment of USD3,160 thousand made in previous years in mainland China and an investment of USD3,200 thousand approved by the Investment Commission, M.O.E.A. The related investees have completed the liquidation process in 2019 and have already submitted a cancellation report to the Investment Commission, M.O.E.A regarding the investment in mainland China.

(iii) Information on significant transactions between the investees in mainland China:

Related Party	Relationship with the Company	Transaction Term					Notes and Accounts Receivable (Payable)		Unrealized gains (losses)
		Types	Amount	Price	Payment Terms	Difference with General Transactions	Balance	Percentage	
TYC	The Company's subsidiary	Sales	14,555	(Note 1)	Payment made in 60 days	(Note 1)	10,689	3.56%	(5,242)

Note 1. There are no significant differences from regular transactions.

Note 2. When the Consolidated Financial Statements are prepared the amounts have been offset.

(d) Information on Major Shareholders:

Unit: Shares

Name of Major Shareholders	Shareholding	Shares	Percentage of Ownership
BMC		9,333,773	14.81%

14. Segment Information

The main business of the Group is manufacturing, purchasing, and selling disposable contact lenses. It is an individual department, and the department's information on profit and loss, assets, and liabilities is consistent with the Consolidated Financial Statements. Please refer to the consolidated balance sheets and consolidated statements of comprehensive income for more details.