

**BENQ MATERIALS CORPORATION AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
**With Independent Auditors' Report**  
**For the Three Months Ended March 31, 2019 and 2018**

Address: No. 29 Jianguo E. Rd., Guishan, Taoyuan, Taiwan  
Telephone: 886-3-374-8800

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. NOT AUDITED OR REVIEWED BY AUDITORS. 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 BenQ Materials Corporation:

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of BenQ Materials Corp. and its subsidiaries as of March 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. The 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 International Accounting Standard (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A 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. A 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.

### **Basis for Qualified Conclusion**

As stated in Note 6 (6), the equity accounted investments of BenQ Materials Corp. and its subsidiaries in the investee companies amounted to \$151,476 thousand and \$116,633 thousand as of March 31, 2019 and 2018, respectively, as well as the equity in net earnings on the joint ventures using the equity method of \$4,845 thousand and \$9,672 thousand for the three months ended March 31, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by the investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of BenQ and its subsidiaries as of March 31, 2019 and 2018, and the consolidated financial performance and the consolidated cash flows for the three months ended March 31, 2019 and 2018, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS No. 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG  
Taipei, Taiwan  
Republic of China  
May 6<sup>th</sup>, 2019

**Review only, not audited in accordance with generally accepted auditing standards as of March 31, 2019 and 2018**

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2019, December 31, 2018 and March 31, 2018**

**(Expressed in thousands of New Taiwan dollars)**

	March 31, 2019		December 31, 2018		March 31, 2018			March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Assets</b>													
<b>Current assets:</b>													
1100 Cash and cash equivalents (Note6(1))	\$ 131,621	1	169,013	2	129,453	1	2100 Short-term borrowings (Note 6(13))	\$ 57,000	-	50,000	-	674,524	7
1110 Financial assets measured at fair value through profit or loss – current (Note 6(2))	710	-	19,190	-	5,713	-	2120 Financial liabilities measured at fair value through Profit or loss – current (Note 6(2))	7,390	-	1,360	-	7,749	-
1170 Notes and accounts receivable, net (Note 6(3),(22))	1,727,714	16	1,681,148	16	1,137,091	11	2180 Notes and accounts payable	2,842,643	27	2,873,111	28	2,387,305	22
1180 Accounts receivable from related parties, net (Note 6(3),(22)&7)	470,079	5	611,739	6	1,930,408	19	2200 Notes and accounts payable to related parties (Note 7)	42,932	-	40,645	-	11,755	-
1200 Other receivable (Note 6(4)&7)	150,374	2	142,469	1	20,721	-	2220 Other payables (Note 6(23))	952,692	9	1,018,963	10	817,663	8
1210 Other receivable from related parties (Note 6(4)&7)	100	-	278	-	504	-	2250 Other payables to related parties (Note 7)	11,658	-	15,525	-	31,193	-
1310 Net inventories (Note 6(5))	2,047,349	19	1,930,668	19	1,584,077	15	2320 Provisions – current (Note 6(16))	1,000	-	1,000	-	6,408	-
1470 Other current assets	248,653	2	228,241	2	186,414	2	2399 Current portion of long-term loans payable (Note 6(14)&8)	22,194	-	22,070	-	-	-
1476 Other current financial assets	5,578	-	5,844	-	18,722	-	2281 Current lease liabilities (Note 6(15))	10,824	-	-	-	-	-
<b>Total current assets</b>	<u>4,782,178</u>	<u>45</u>	<u>4,788,590</u>	<u>46</u>	<u>5,013,103</u>	<u>48</u>	2282 Current lease liabilities – related parties (Note 6(15)&7)	72,020	1	-	-	-	-
<b>Noncurrent assets:</b>							2399 Other current liabilities	58,661	1	66,528	1	76,626	1
1550 Investment in equity-accounted investees (Note 6(6))	151,476	1	143,505	1	116,633	1	<b>Total current liabilities</b>	<u>4,079,014</u>	<u>38</u>	<u>4,089,202</u>	<u>39</u>	<u>4,013,223</u>	<u>38</u>
1600 Property, plant and equipment (Note 6(8),7&8)	4,342,352	41	4,331,733	42	4,019,688	40	<b>Noncurrent liabilities:</b>						
1755 Right-of-use asset (Note6(9)&7)	372,693	4	-	-	-	-	2540 Long-term borrowings, excluding current Installments (Note 6(14)&8)	2,022,530	19	2,028,151	20	1,900,000	19
1760 Investment Property (Note 6(10))	548,062	5	493,380	5	545,874	5	2570 Deferred tax liabilities	10,348	-	10,335	-	16,772	-
1780 Intangible assets (Note 6(11)&7)	42,864	-	44,663	-	52,263	1	2581 Noncurrent lease liabilities (Note6(15))	1,100	-	-	-	-	-
1840 Deferred tax assets	311,600	3	311,500	4	319,565	4	2582 Noncurrent lease liabilities – related Parties (Note 6(15)&7)	248,112	3	-	-	-	-
1920 Refundable deposits	19,341	-	21,870	-	10,204	-	2600 Other noncurrent liabilities	29,383	-	31,457	-	29,924	-
1985 Long-term prepaid rent (Note6(12))	-	-	105,464	1	111,740	1	<b>Total noncurrent liabilities</b>	<u>2,311,473</u>	<u>22</u>	<u>2,069,943</u>	<u>20</u>	<u>1,946,696</u>	<u>19</u>
1995 Other noncurrent assets	101,363	1	102,455	1	41,347	-	<b>Total liabilities</b>	<u>6,390,487</u>	<u>60</u>	<u>6,159,145</u>	<u>59</u>	<u>5,959,919</u>	<u>57</u>
<b>Total noncurrent assets</b>	<u>5,889,751</u>	<u>55</u>	<u>5,554,570</u>	<u>54</u>	<u>5,217,314</u>	<u>52</u>	<b>Equity: (Note 6(20))</b>						
							<b>Equity attributable to shareholders of The Parent.:</b>						
							3110 Ordinary stock	3,206,745	30	3,206,745	31	3,206,745	32
							3200 Capital surplus	2,736	-	2,734	-	2,725	-
							3310 Retained earnings	219,095	2	219,095	2	166,582	2
							3350 Legal reserve	742,371	7	692,009	7	814,691	8
							3400 Unappropriated retained earnings	52,804	-	5,280	-	79,755	1
							36XX Other components of equity	4,223,751	39	4,125,863	40	4,270,498	43
							<b>Total equity attributable to shareholders of The Parent:</b>	<u>57,691</u>	<u>1</u>	<u>58,152</u>	<u>1</u>	<u>-</u>	<u>-</u>
							<b>Total equity</b>	<u>4,281,442</u>	<u>40</u>	<u>4,184,015</u>	<u>41</u>	<u>4,270,498</u>	<u>43</u>
<b>Total Assets</b>	<u>\$ 10,671,929</u>	<u>100</u>	<u>10,343,160</u>	<u>100</u>	<u>10,230,417</u>	<u>100</u>	<b>Total Liabilities and Equity</b>	<u>\$ 10,671,929</u>	<u>100</u>	<u>10,343,160</u>	<u>100</u>	<u>10,230,417</u>	<u>100</u>

See accompanying notes to the consolidated financial statements

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

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2019 and 2018**

**(Expressed in thousands of New Taiwan dollars, except for earnings per share)**

		<b>Three months ended March 31</b>			
		<b>2019</b>		<b>2018</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Revenue (Note 6 (22), 7 &amp; 14)</b>	\$ 3,391,811	100	2,959,952	100
5000	<b>Cost of sales (Note 6(5),(8),(9),(10),(11),(18),(23), 7&amp;12)</b>	(2,860,278)	(84)	(2,517,659)	(85)
	<b>Gross profit</b>	<u>531,533</u>	<u>16</u>	<u>442,293</u>	<u>15</u>
	<b>Operating expenses: (Note 6 (3),(8),(9),(11),(16),(18),(23),7&amp;12)</b>				
6100	Marketing expenses	(192,315)	(5)	(117,700)	(4)
6200	General and administrative expenses	(53,582)	(2)	(52,400)	(2)
6300	Research and development expenses	(159,359)	(5)	(161,281)	(5)
6400	Other operating expenses	-	-	44,762	1
	<b>Total operating expenses</b>	<u>(405,256)</u>	<u>(12)</u>	<u>(286,619)</u>	<u>(10)</u>
	<b>Operating income</b>	<u>126,277</u>	<u>4</u>	<u>155,674</u>	<u>5</u>
	<b>Non-operating income and loss (Note 6 (6),(15),(24),(25)&amp;7):</b>				
7010	Other income	948	-	2,680	-
7020	Other gains and losses – net	(20,372)	(1)	(24,997)	(1)
7050	Finance costs	(19,831)	-	(14,978)	-
7370	Share of profit of associates accounted for using equity method	4,845	-	9,672	-
		<u>(34,410)</u>	<u>(1)</u>	<u>(27,623)</u>	<u>(1)</u>
7900	<b>Income (loss) Before income tax</b>	<u>91,867</u>	<u>3</u>	<u>128,051</u>	<u>4</u>
7950	<b>Less: income tax expense (Note 6(19))</b>	<u>(22,209)</u>	<u>(1)</u>	<u>(17,910)</u>	<u>-</u>
	<b>Net Income (loss)</b>	<u>69,658</u>	<u>2</u>	<u>110,141</u>	<u>4</u>
	<b>Other comprehensive income:</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss (Note 6(6),(20))</b>				
8361	Exchange differences on translating the financial statements of foreign operations	44,539	1	28,018	1
8370	Equity-accounted investees – share of other comprehensive income (loss)	3,124	-	1,559	-
8399	Related tax	-	-	-	-
	<b>Total Items that may be reclassified subsequently to profit or loss</b>	<u>47,663</u>	<u>1</u>	<u>29,577</u>	<u>1</u>
	<b>Other comprehensive income (loss), net of tax</b>	<u>47,663</u>	<u>1</u>	<u>29,577</u>	<u>1</u>
8500	<b>Total comprehensive income (loss)</b>	<u>\$ 117,321</u>	<u>3</u>	<u>139,718</u>	<u>5</u>
	<b>Profit (loss) attributable to:</b>				
8610	Shareholders of the Company	\$ 70,141	2	110,141	4
8620	Non-controlling interests	(483)	-	-	-
		<u>\$ 69,658</u>	<u>2</u>	<u>110,141</u>	<u>4</u>
	<b>Total comprehensive income (loss) attributable to:</b>				
8710	Shareholders of the Company	\$ 117,665	3	139,718	5
8720	Non-controlling interests	(344)	-	-	-
		<u>\$ 117,321</u>	<u>3</u>	<u>139,718</u>	<u>5</u>
	<b>Earnings per share</b>				
	(expressed in New Taiwan dollars, Note 6(21))				
9750	<b>Basic earnings per share</b>	<u>\$ 0.22</u>		<u>0.34</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.22</u>		<u>0.34</u>	

See accompanying notes to the consolidated financial statements

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

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2019 and 2018**  
**(Expressed in thousands of New Taiwan dollars)**

	Equity attributable to shareholders of the parent										Total equity
	Retained earnings					Other equity			Equity attributable to shareholders of the parent	Non-controlling interests	
	Common shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Subtotal	Exchange differences on translation of foreign financial statements	Remeasurement of defined benefit plans	Subtotal			
<b>Balance at January 1, 2018</b>	\$ 3,206,745	2,723	166,582	704,580	871,162	64,015	(13,837)	50,178	4,130,808	-	4,130,808
Adjustments on initial application of new standards	-	-	-	(30)	(30)	-	-	-	(30)	-	(30)
Adjusted balance at January 1, 2018	\$ 3,206,745	2,723	166,582	704,550	871,132	64,015	(13,837)	50,178	4,130,778	-	4,130,778
Changes in other capital surplus:											
Changes in joint ventures accounted for under equity method	-	2	-	-	-	-	-	-	2	-	2
Net income	-	-	-	110,141	110,141	-	-	-	110,141	-	110,141
Other comprehensive income (loss)	-	-	-	-	-	29,577	-	29,577	29,577	-	29,577
Total comprehensive income (loss)	-	-	-	110,141	110,141	29,577	-	29,577	139,718	-	139,718
<b>Balance at March 31, 2018</b>	<b>\$ 3,206,745</b>	<b>2,725</b>	<b>166,582</b>	<b>814,691</b>	<b>981,273</b>	<b>93,592</b>	<b>(13,837)</b>	<b>79,755</b>	<b>4,270,498</b>	<b>-</b>	<b>4,270,498</b>
<b>Balance at January 1, 2019</b>	\$ 3,206,745	2,734	219,095	692,009	911,104	21,284	(16,004)	5,280	4,125,863	58,152	4,184,015
Adjustments on initial application of new standards	-	-	-	(19,779)	(19,779)	-	-	-	(19,779)	(117)	(19,896)
Adjusted balance at January 1, 2019	\$ 3,206,745	2,734	219,095	672,230	891,325	21,284	(16,004)	5,280	4,106,084	58,035	4,164,119
Changes in other capital surplus:											
Changes in joint ventures accounted for under equity method	-	2	-	-	-	-	-	-	2	-	2
Net income	-	-	-	70,141	70,141	-	-	-	70,141	(483)	69,658
Other comprehensive income (loss)	-	-	-	-	-	47,524	-	47,524	47,524	139	47,663
Total comprehensive income (loss)	-	-	-	70,141	70,141	47,524	-	47,524	117,665	(344)	117,321
<b>Balance at March 31, 2019</b>	<b>\$ 3,206,745</b>	<b>2,736</b>	<b>219,095</b>	<b>742,371</b>	<b>961,466</b>	<b>68,808</b>	<b>(16,004)</b>	<b>52,804</b>	<b>4,223,751</b>	<b>57,691</b>	<b>4,281,442</b>

See accompanying notes to the consolidated financial statements

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

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2019 and 2018**

**(Expressed in thousands of New Taiwan dollars)**

	Three months ended	
	March 31,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 91,867	128,051
<b>Adjustments for:</b>		
Depreciation	158,110	118,857
Amortization	6,075	9,307
Reversal gains on expected credit impairment	(434)	-
Loss on financial instruments at fair value through profit or loss	24,510	24,302
Interest expense	19,831	14,978
Interest income	(142)	(249)
Share of profit of associates and joint ventures accounted for using equity method	(4,845)	(9,672)
Gains on disposals of property plant and equipment	(270)	(150)
Expense transferred from amortized other Non-Current assets	24,349	20,294
Amortization of syndication commission cost	475	719
Subtotal of income and expense (loss) items	227,659	178,386
Changes in operating assets and liabilities:		
Changes in operating assets:		
- increase in notes and accounts receivable	(46,132)	(286,497)
- decrease in accounts receivables from related parties	132,296	29,164
- decrease (increase) in other accounts receivables	1,459	(12,839)
- decrease in other accounts receivables from related parties	178	350
- decrease (increase) in inventories	(116,681)	41,423
- increase in other current assets	(19,001)	(9,970)
- increase in other non-current assets	(833)	-
Subtotal of changes in operating assets	(48,714)	(238,369)
Changes in operating liabilities:		
- increase (decrease) in accounts payable	(30,468)	205,901
- increase (decrease) in accounts payable from related parties	2,287	(1,004)
- decrease in other accounts payable	(107,472)	(107,295)
- increase (decrease) in other accounts payable from related parties	(3,867)	25,567
- decrease in current provisions	-	(42,286)
- increase (decrease) in other current liability	(7,867)	25,454
- decrease in defined provisions for benefits	(478)	(466)

(Continued)

See accompanying notes to the consolidated financial statements

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

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Continued)**  
**For the three months ended March 31, 2019 and 2018**  
**(Expressed in thousands of New Taiwan dollars)**

	Three months ended	
	March 31,	
	2019	2018
Subtotal of changes in operating liabilities	(147,865)	105,871
Subtotal of changes in operating assets and liabilities	(196,579)	(132,498)
Subtotal of adjustment items	31,080	45,888
Cash generated from operation	122,947	173,939
Cash received from interest income	142	256
Cash paid for interest	(19,496)	(15,562)
<b>Net cash provided by operating activities</b>	<b>103,593</b>	<b>158,633</b>
<b>Cash flows from investing activities:</b>		
Acquisitions of property, plant and equipment	(93,222)	(52,461)
Disposals of property plant and equipment	980	198
Decrease (increase) in refundable deposits	2,529	18,233
Increase in intangible assets	(4,157)	(9,900)
Decrease in other financial assets	266	1,241
Increase in other non-current assets	(23,706)	(15,205)
<b>Net cash used in investing activities</b>	<b>(117,310)</b>	<b>(57,894)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	7,000	(250,516)
Repayments of long-term debt	(5,497)	-
Decrease in guarantee deposits received	(1,596)	(614)
Repayments of lease liabilities	(29,517)	-
<b>Net cash flows from financing activities</b>	<b>(29,610)</b>	<b>(251,130)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>5,935</b>	<b>4,146</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(37,392)</b>	<b>(146,245)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>169,013</b>	<b>275,698</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 131,621</b>	<b>129,453</b>

See accompanying notes to the consolidated financial statements



**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**For the three months ended March 31, 2019 and 2018**  
**(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)**

**1. Organization and business**

BenQ Materials Corp. (the “BenQ”, originally named as Daxon Technology Inc. before June 2010) was incorporated on July 16, 1998 and registered under the Ministry of Economic Affairs, R.O.C. The registered address is No. 29, Jianguo E. Rd., Guishan, Taoyuan, Taiwan. The company and subsidiaries (collectively as “the Company”) are primarily engaged in the products of optoelectronics and manufacture and sales of medical consumables and equipment.

**2. Approval of financial statements**

These consolidated financial statements were approved and authorized for issue by the Board of Directors of BenQ on May 6, 2019.

**3. Application of New, Amended and Revised Standards, and Interpretations**

**(1) Impact of adoption of new, amended or revised standards endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)**

In preparing the accompanying consolidated financial statements, the Company has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and Interpretations that have been issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC with effective date from January 1, 2019.

<b><u>New, Amended and Revised Standards, and Interpretations</u></b>	<b><u>Effective Date Issued by IASB</u></b>
International Financial Reporting Standards 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

Except for the following, the adoption of the above standards has not had a material impact on the consolidated financial statements, relevant instructions are as follows:

**(a) International Financial Reporting Standards 16 “Leases”**

International Financial Reporting Standards 16 “Leases” (IFRS 16) replaces the existing leases guidance, including International Accounting Standards 17 “Leases” (IAS 17), IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a lease.”

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

### 1) Definition of a lease

A contract on the commencement date, whether a lease (or inclusive), which has been identified as a lease by the Company based on the previous adoption of IFRIC 4 is subject to IFRS 16, as explained in Note 4(3).

For the first-time adoption of IFRS 16, the Company intends not to restate the financial statements of prior period (referred to hereinafter as the expedient exemption). The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### 2) As a lessee

As a lessee, the Company previously classified its leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes its lease contracts as right-of-use assets and lease liabilities in consolidated balance sheets.

The Company decided to apply the recognized exemptions to the current leases of its factories and vehicles.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. The right-of-use assets are measured at the carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases:

- a. The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics.
- b. The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c. The Company excludes incremental costs of obtaining the lease from right-of-use assets on January 1, 2019.
- d. The Company determines lease periods based on the projected status on January 1, 2019, if the contract contains options to extend or terminate the lease.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 3) As a lessor

The Company does not make any adjustments for leases in which it is a lessor, and accounts for those leases under IFRS 16 starting from January 1, 2019.

### 4) Impacts on financial statements

On transition to IFRS 16, the Company recognized \$395,294 thousand and \$361,485 thousand of right-of-use assets and lease liabilities, respectively, increase \$51,759 thousand in investment property, and decrease \$105,464 thousand, \$19,779 thousand, and \$117 thousand in long-term prepaid rent, retained earnings and non-controlling interests, respectively, at the date of initial application. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized by the Company on January 1, 2019 is 1.78%.

The reconciliation between operating lease commitments measured at the present value of the remaining lease payments, and lease liabilities recognized on January 1, 2019 is as follows:

	<b>January 1, 2019</b>
Operating lease commitment on December 31, 2018 as disclosed in the Company's consolidated financial statements	\$ 380,035
Recognition exemption for:	
Short-term leases	(5,305)
	<b>\$ 374,730</b>
Discounted using the incremental borrowing rate on January 1, 2019 (The amounts of lease liabilities recognized as of January 1, 2019)	<b>\$ 361,485</b>

### (2) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New standards, interpretations and amendments issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC are as follows:

<b>New Standards, Interpretations and Amendments</b>	<b>Effective date by International Accounting Standards Board</b>
Amendments to IFRS 3, "Definition of a business"	January 1, 2020
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by IASB
IFRS 17, "Insurance contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8, "Disclosure Initiative-Definition of Material"	January 1, 2020

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Those may be relevant to the Company are set out below:

<u>Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
October 31, 2018	Amendments to IAS 1 and IAS 8, “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

#### 4. Summary of Significant Accounting Policies:

##### (1) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) and the International Accounting Standards 34, “Interim financial reporting” as endorsed by the FSC. The Company’s accompanying consolidated financial statements have been prepared in accordance with the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as “Taiwan-IFRSs”).

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2018. Refer to Note 4 for the consolidated financial statements for the year ended December 31, 2018 for the details.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (2) Basis of consolidation

#### (a) Subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activities	Percentage of Ownership (%)			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
BenQ	BenQ Materials (L) Co. (BMLB)	Holding company	100.00	100.00	100.00	-
BenQ	Sigma Medical Supplies Corp. ("SMS")	Manufacture and sales of medical consumables and equipment	89.06	89.06	-	(Note 1)
BMLB	BenQ Material Co., Ltd. ("BMS")	Manufacture of optoelectronics	100.00	100.00	100.00	-
BMLB	Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Sales of optoelectronics and medical consumables	100.00	100.00	100.00	-
BMLB	BenQ Materials (Wuhu) Co., Ltd	Manufacture and sales of optoelectronics	100.00	100.00	100.00	-
SMS	Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	100.00	100.00	-	(Note 1)

(Note 1): On July 24, 2018, BenQ acquired the shareholdings and obtained control over the entities. Therefore, the entities have been included in consolidated financial statements.

#### (b) Subsidiaries not included in the consolidated financial statements: None.

### (3) Leases (Policy applicable from January 1, 2019)

#### (a) Identifying a lease

At the commencement date, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract in exchange conveys the right to control the use of an identified asset for a period. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

## BENQ MATERIALS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- 3) the Company obtained an identified asset if either the following conditions is satisfied:
- a. The Company has the right to direct the use of identified asset throughout the period of use.
  - b. The main decision about how and the purpose of the asset is used is predetermined, and
    - the Company has the right to use the identified asset, and the supplier does not have a substantive right to substitute the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At the commencement date or reassessing whether the contract is a lease, the Company allocates the contract to each lease component on basis of their relative stand-alone prices. However, for the leases of land and buildings' contract that contains a lease component and non-lease component, the Company may elect to account for the lease and non-lease components as a single lease component.

#### (b) As a lessee

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

The depreciation expense of right-of-use assets is recognized when the service life of the right-of-use assets expires or when the lease term expires, whichever is earlier. When the lease liability is reassessed, the right-of-use assets will adjust any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date, if the implicit rate is certain, the discount rate is used. If not, using the Company's incremental borrowing interest rate. Generally, the Company uses the incremental borrowing interest rate.

The lease payments are as follow:

- 1) fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) the amounts expected to be payable under a residual value guarantee; and
- 4) the amounts or the penalties of the purchase option or lease termination option will be reasonably exercised.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

- 1) if there is a change in future lease payments arising from a change in an index or a rate;
- 2) if there is a change in the amounts expected to be payable under a residual value guarantee;
- 3) if there is a change in the assessment of underlying asset purchase option;
- 4) if the Company changes its assessment of whether it will exercise a purchase, extension or termination option;
- 5) if there is a change in the lease term.

When the lease liability is remeasured in the mentioned circumstances, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

The lease liability is remeasured when lease modification occur that decrease the scope of the lease. The Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Payments for leases of low-value assets and short-term leases are recognized as expenses on a straight-line basis during the lease term for which the recognition exemption is applied.

### (c) As a lessor

Based on the extent to which the lease transfers the risks and rewards resulting from the Company of an underlying asset, if it does, a lease is classified as a financial lease. Conversely, an operating lease is a lease that does not transfer the risks and rewards resulting from the Company of an underlying asset.

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term.

### (4) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior fiscal year, adjusted for significant market fluctuations subsequent to the end of prior fiscal year and for significant curtailments, settlements, or other significant one-time events.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (5) Income taxes

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 and is recognized as current tax expense.

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.

### 5. **Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34, “Interim Financial Reporting”, as endorsed and issued into effect by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2018.

### 6. **Description of Significant Accounts**

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those described in note 6 of the consolidated financial statements for the year ended December 31, 2018.

#### (1) Cash and Cash Equivalents

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Cash on hand	\$ 607	678	430
Demand deposits and checking accounts	131,014	168,335	119,732
Time deposits with original maturities less than three months	-	-	9,291
	<u>\$ 131,621</u>	<u>169,013</u>	<u>129,453</u>



# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Financial assets mandatorily measured at fair value through profit or loss – current:			
Foreign currency forward contracts	\$ 710	14,691	3,059
Foreign exchange contracts	-	4,499	2,654
	<b>\$ 710</b>	<b>19,190</b>	<b>5,713</b>
Financial liabilities held for trading – current:			
Foreign currency forward contracts	\$ (6,887)	(1,360)	(7,749)
Foreign exchange contracts	(503)	-	-
	<b>\$ (7,390)</b>	<b>(1,360)</b>	<b>(7,749)</b>

Refer to note 6 (24) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

(a) Non-hedging derivative financial instruments

The Company incepted derivative contracts to manage foreign currency exchange risk resulting from operating and financing activities. The derivative financial instruments that did not conform to the criteria for hedge accounting. At each reporting date the outstanding derivative contracts consisted of the following:

1) Foreign currency forward contracts

<b>March 31, 2019</b>		
<b>Contract amount</b>	<b>Contract item</b>	<b>Maturity date</b>
(in thousands)		
USD3,000	Sell USD / Buy RMB	April 12, 2019
USD37,000	Sell USD / Buy JPY	April 24, 2019 – June 24, 2019
USD6,000	Sell USD / Buy NTD	April 24, 2019
<b>December 31, 2018</b>		
<b>Contract amount</b>	<b>Contract item</b>	<b>Maturity date</b>
(in thousands)		
USD3,300	Sell USD / Buy RMB	November 1, 2019
USD44,500	Sell USD / Buy JPY	January 24, 2019 – March 22, 2019
USD6,000	Sell USD / Buy NTD	January 24, 2019

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**March 31, 2018**

Contract amount	Contract item	Maturity date
(in thousands)		
USD6,500	Sell USD / Buy RMB	April 11, 2018
USD34,000	Sell USD / Buy JPY	April 23, 2018 – May 24, 2018
USD8,000	Sell USD / Buy NTD	April 12, 2018 – April 27, 2018

2) Foreign exchange contracts

**March 31, 2019**

Contract amount	Contract item	Maturity date
(in thousands)		
USD43,000	Sell USD / Buy NTD	April 30, 2019

**December 31, 2018**

Contract amount	Contract item	Maturity date
(in thousands)		
USD43,000	Sell USD / Buy NTD	January 31, 2019

**March 31, 2018**

Contract amount	Contract item	Maturity date
(in thousands)		
USD62,000	Sell USD / Buy NTD	April 30, 2018

(3) Notes and accounts receivable

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Notes receivable	\$ 24,015	31,441	5,005
Accounts receivable	1,728,615	1,674,480	1,152,510
Less: loss allowance	(24,916)	(24,773)	(20,424)
	<u>1,727,714</u>	<u>1,681,148</u>	<u>1,137,091</u>
Accounts receivable from related parties	470,079	611,739	1,930,408
	<u><b>\$ 2,197,793</b></u>	<u><b>2,292,887</b></u>	<u><b>3,067,499</b></u>

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The Company measures the loss allowance for notes and accounts receivable using the simplified approach with the lifetime expected credit losses including forward-looking information. Analysis of expected credit losses of notes and accounts receivable (including related parties) as of March 31, 2019, December 31, 2018 and March 31, 2018 were as follows:

	<b>March 31, 2019</b>		
	<b>Carrying amount of accounts and note receivable</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,196,698	0.02%	464
Past due 1~30 days	1,465	6.01%	88
Past due 31~90 days	218	16.51%	36
Past due over 91 days	24,328	100%	24,328
	<b>\$ 2,222,709</b>		<b>24,916</b>

	<b>December 31, 2018</b>		
	<b>Carrying amount of accounts and note receivable</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,292,171	0.02%	450
Past due 1~30 days	973	1.95%	19
Past due 31~90 days	397	46.60%	185
Past due over 91 days	24,119	100%	24,119
	<b>\$ 2,317,660</b>		<b>24,773</b>

	<b>March 31, 2018</b>		
	<b>Carrying amount of accounts and note receivable</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 3,066,320	0.001%	25
Past due 1~30 days	1,208	0.33%	4
Past due over 91 days	20,395	100%	20,395
	<b>\$ 3,087,923</b>		<b>20,424</b>

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The movement of the loss allowance for notes and accounts receivable was as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Balance at beginning of the period (per IAS 39)	\$ 24,773	20,092
Adjustment on initial application of IFRS 9	-	30
Balance at beginning of the period (per IFRS 9)	24,773	20,122
Reversal of loss	(434)	-
Effect of exchange rate changes	577	302
Balance at end of the period	<b>\$ 24,916</b>	<b>20,424</b>

(4) Other accounts receivable

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other accounts receivable (Note 7)	\$ 150,374	142,469	20,721
Other accounts receivable – related parties	100	278	504
	150,474	142,747	21,225
Less: loss allowance	-	-	-
	<b>\$ 150,474</b>	<b>142,747</b>	<b>21,225</b>

As of March 31, 2019, December 31, 2018 and March 31, 2018, no expected credit impairment for other accounts receivable based on the Company's assessment.

(5) Inventories

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Raw materials	\$ 959,757	857,688	631,102
Work in process	585,140	572,945	509,407
Finished goods	502,452	500,035	443,568
	<b>\$ 2,047,349</b>	<b>1,930,668</b>	<b>1,584,077</b>

The amounts recognized as cost of sales in relation to inventories were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Inventories sold	\$ 2,852,617	2,498,729
Allowance for inventories written down to net realizable value	(4,761)	6,639
	<b>\$ 2,847,856</b>	<b>2,505,368</b>

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018, the amounts of inventories due to sale of obsolete inventories or arising market price that were charged to gain from price recovery of inventory or loss for market price decline, or the written down of inventories to net realizable value amounted to \$4,761 thousand, and \$(6,639) thousand, respectively and were included in operating costs.

(6) Investments accounted for using equity method

	<b>March 31, 2019 (Not audited)</b>	<b>December 31, 2018</b>	<b>March 31, 2018 (Not audited)</b>
Joint ventures	<b>\$ 151,476</b>	<b>143,505</b>	<b>116,633</b>

Share of profit (loss) of joint ventures accounted for using equity method (not audited) was as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Joint ventures	<b>\$ 4,845</b>	<b>9,672</b>

(a) Joint ventures

None of the joint ventures is considered individually material to the Company, the financial information was summarized as follows. The financial information was included in the Company's consolidated financial statements:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Carrying amount of joint ventures not individually material to The Company – end of period	<b>\$ 151,476</b>	<b>143,505</b>	<b>116,633</b>

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2019</b>
The Company's share of:		
Net income	<b>\$ 4,845</b>	<b>9,672</b>
Other comprehensive income	<b>3,124</b>	<b>1,559</b>
Total comprehensive income	<b>\$ 7,969</b>	<b>11,231</b>

(b) Investments accounted for using equity method not reviewed

The Company's share of the profit and other comprehensive income from the investments accounted for using equity method of the financial statements which were not reviewed by independent auditors.

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(7) Acquisition of subsidiaries

(a) The cost of acquisition

On July 24, 2018 (acquisition date), the Company obtained control over Sigma Medical Supplies Corp. and its subsidiaries (“SMS”) by acquired 89.03% of shareholdings of it for cash \$498,579 thousand. SMS is engaged in manufacture and sales of medical consumables and equipment. Through the acquisition of SMS, the Company expects to enhance the core R&D capabilities and the manufacturing technology to expend the development of medical consumables and equipment industry.

(b) Identifiable net assets acquired in a business combination

The following table summarized the fair value of identifiable assets acquired and liabilities assumed recognized at the acquisition date:

<u>Items</u>	<u>Amount</u>
Cash and cash equivalents	\$ 119,934
Notes and accounts receivable, net	151,802
Other accounts receivable	57,515
Inventories	180,463
Other current assets	40,612
Other current financial assets	64,337
Property, plant and equipment	360,560
Intangible assets – software	295
Deferred tax assets	28,717
Other non-current assets	27,203
Short-term borrowings	(219,193)
Accounts payable	(97,187)
Other current liabilities	(46,843)
Long-term borrowings	(104,797)
Deferred income tax liabilities	(2,780)
Other non-current liabilities	(354)
Identifiable net assets at fair value	<u>\$ 560,284</u>

The needed market evaluation and other calculations of the fair values of the net assets are finished, and the amounts recognized have been measured on original accounting process to adjustments upon completion of independent valuation of SMS.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(c) Gain recognized in bargain purchase transaction		
Gain recognized in bargain purchase of acquisition:		
Transfer consideration – cash	\$	498,579
Add: non-controlling interests (Identifiable net assets at fair value measured by non-equity method)		61,452
Less: acquired Identifiable net assets at fair value		(560,284)
Gain recognized in bargain purchase (refer to other gains and losses)	\$	<u>(253)</u>

### (8) Property, plant and equipment

	Land	Buildings	Machinery	Other	Total
Cost:					
Balance at January 1, 2019	\$ 1,477,219	3,128,759	5,594,506	1,882,875	12,083,359
Additions	-	660	21,450	89,493	111,603
Disposals	-	-	(30,830)	(19,874)	(50,704)
Reclassification and effect of exchange rate changes	-	26,824	141,337	(114,940)	53,221
Balance at March 31, 2019	<u>\$ 1,477,219</u>	<u>3,156,243</u>	<u>5,726,463</u>	<u>1,837,554</u>	<u>12,197,479</u>
Balance at January 1, 2018	\$ 1,344,108	3,823,777	4,918,691	2,131,612	12,218,188
Additions	-	21,909	14,712	41,917	78,538
Disposals	-	-	(767)	(2,304)	(3,071)
Reclassification to investment property (Note 6(10))	-	(930,215)	-	-	(930,215)
Reclassification and effect of exchange rate changes	-	144,401	323,359	(439,990)	27,770
Balance at March 31, 2018	<u>\$ 1,344,108</u>	<u>3,059,872</u>	<u>5,255,995</u>	<u>1,731,235</u>	<u>11,391,210</u>
Accumulated depreciation:					
Balance at January 1, 2019	\$ -	1,672,239	4,659,081	1,420,306	7,751,626
Depreciation	-	30,122	58,042	34,876	123,040
Disposals	-	-	(30,830)	(19,164)	(49,994)
Reclassification and effect of exchange rate changes	-	13,661	13,773	3,021	30,455
Balance at March 31, 2019	<u>\$ -</u>	<u>1,716,022</u>	<u>4,700,066</u>	<u>1,439,039</u>	<u>7,855,127</u>
Balance at January 1, 2018	\$ -	1,943,354	4,410,512	1,278,306	7,632,172
Depreciation	-	24,493	46,463	37,005	107,961
Disposals	-	-	(767)	(2,256)	(3,023)
Reclassification to investment property (Note 6(10))	-	(382,181)	-	-	(382,181)
Reclassification and effect of exchange rate changes	-	7,268	7,484	1,841	16,593
Balance at March 31, 2018	<u>\$ -</u>	<u>1,592,934</u>	<u>4,463,692</u>	<u>1,314,896</u>	<u>7,371,522</u>
Carrying amount:					
January 1, 2019	<u>\$ 1,477,219</u>	<u>1,456,520</u>	<u>935,425</u>	<u>462,569</u>	<u>4,331,733</u>
March 31, 2019	<u>\$ 1,477,219</u>	<u>1,440,221</u>	<u>1,026,397</u>	<u>398,515</u>	<u>4,342,352</u>
January 1, 2018	<u>\$ 1,344,108</u>	<u>1,880,423</u>	<u>508,179</u>	<u>853,306</u>	<u>4,586,016</u>
March 31, 2018	<u>\$ 1,344,108</u>	<u>1,466,938</u>	<u>792,303</u>	<u>416,339</u>	<u>4,019,688</u>

In January 2018, the Company made the plan of partial of Suzhou industrial district into investment property for lease. After January 1, 2018, income and expenses were recognized in operating revenue and operating cost.

Details of property, plant and equipment were pledged as collateral of long-term borrowings and loans, please refer to note 8.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(9) Right-of-use assets

	<u>Land use right</u>	<u>Buildings</u>	<u>Total</u>
Cost of right-of-use assets:			
Balance at January 1, 2019	\$ -	-	-
Adjustment on initial application of IFRS 16	65,183	454,371	519,554
Balance at January 1, 2019 – restatement	65,183	454,371	519,554
Additions	-	88	88
Effect of exchange rate changes	1,683	-	1,683
Balance at March 31, 2019	<u>\$ 66,866</u>	<u>454,459</u>	<u>521,325</u>
Accumulated depreciation - right-of-use assets:			
Balance at January 1, 2019	\$ -	-	-
Adjustment on initial application of IFRS 16	11,478	112,782	124,260
Balance at January 1, 2019	11,478	112,782	124,260
Depreciation	337	23,735	24,072
Effect of exchange rate changes	300	-	300
Balance at March 31, 2019	<u>\$ 12,115</u>	<u>136,517</u>	<u>148,632</u>
Carrying amount:			
March 31, 2019	<u>\$ 54,751</u>	<u>317,942</u>	<u>372,693</u>

On December 31, 2018 and March 31, 2018, land right-of use assets was recognized in long-term prepaid rents.



# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(10) Investment property

	<u>Buildings</u>	<u>Land use right</u>	<u>Total</u>
<b>Cost:</b>			
Balance at January 1, 2019	\$ 909,777	-	909,777
Adjustment on initial application of IFRS 16	-	69,667	69,667
Balance at January 1, 2019 – restatement	909,777	69,667	979,444
Effect of exchange rate changes	23,487	1,798	25,285
Balance at March 31, 2019	<u>\$ 933,264</u>	<u>71,465</u>	<u>1,004,729</u>
Balance at January 1, 2018	\$ -	-	-
Reclassification from fixed asset	930,215	-	930,215
Effect of exchange rate changes	15,124	-	15,124
Balance at March 31, 2018	<u>\$ 945,339</u>	<u>-</u>	<u>945,339</u>
<b>Depreciation:</b>			
Balance at January 1, 2019	\$ 416,397	-	416,397
Adjustment on initial application of IFRS 16	-	17,908	17,908
Balance at January 1, 2019 – restatement	416,397	17,908	434,305
Depreciation	10,636	362	10,998
Effect of exchange rate changes	10,897	467	11,364
Balance at March 31, 2019	<u>\$ 437,930</u>	<u>18,737</u>	<u>456,667</u>
Balance at January 1, 2018	\$ -	-	-
Depreciation	10,896	-	10,896
Reclassification from fixed asset	382,181	-	382,181
Effect of exchange rate changes	6,388	-	6,388
Balance at March 31, 2019	<u>\$ 399,465</u>	<u>-</u>	<u>399,465</u>
<b>Carrying amount:</b>			
January 1, 2019	<u>\$ 493,380</u>	<u>-</u>	<u>493,380</u>
March 31, 2019	<u>\$ 495,334</u>	<u>52,728</u>	<u>548,062</u>
January 1, 2018	<u>\$ -</u>	<u>-</u>	<u>-</u>
March 31, 2018	<u>\$ 545,874</u>	<u>-</u>	<u>545,874</u>

The fair value of the Company's investment property was not materially different from those disclosed in Note 6(9) of the consolidated financial statements for the year ended December 31, 2018.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(11) Intangible assets

	<u>Patents</u>	<u>Outside purchased software</u>	<u>Other</u>	<u>Total</u>
Cost:				
Balance at January 1, 2019	\$ 51,046	152,669	8,525	212,240
Additions	-	4,157	-	4,157
Reclassification and effect of exchange rate changes	175	40	26	241
Balance at March 31, 2019	<u>\$ 51,221</u>	<u>156,886</u>	<u>8,551</u>	<u>216,638</u>
Balance at January 1, 2018	\$ 49,592	129,125	8,549	187,266
Additions	-	9,900	-	9,900
Reclassification and effect of exchange rate changes	(1,222)	12	16	(1,194)
Balance at March 31, 2018	<u>\$ 48,370</u>	<u>139,037</u>	<u>8,565</u>	<u>195,972</u>
Amortization:				
Balance at January 1, 2019	\$ 21,624	141,533	4,420	167,577
Amortization	1,968	3,680	427	6,075
Reclassification and effect of exchange rate changes	78	32	12	122
Balance at March 31, 2019	<u>\$ 23,670</u>	<u>145,245</u>	<u>4,859</u>	<u>173,744</u>
Balance at January 1, 2018	\$ 13,369	121,022	2,720	137,111
Amortization	1,883	4,620	427	6,930
Reclassification and effect of exchange rate changes	(350)	12	6	(332)
Balance at March 31, 2018	<u>\$ 14,902</u>	<u>125,654</u>	<u>3,153</u>	<u>143,709</u>
Carrying amount:				
Balance at January 1, 2019	<u>\$ 29,422</u>	<u>11,136</u>	<u>4,105</u>	<u>44,663</u>
Balance at March 31, 2019	<u>\$ 27,551</u>	<u>11,621</u>	<u>3,692</u>	<u>42,864</u>
Balance at January 1, 2018	<u>\$ 36,223</u>	<u>8,103</u>	<u>5,829</u>	<u>50,155</u>
Balance at March 31, 2018	<u>\$ 33,468</u>	<u>13,383</u>	<u>5,412</u>	<u>52,263</u>

(12) Long-term prepayments for lease

Long-term prepayments for lease mainly represented land use rights located in Mainland China. The company signed a contract with Land and Resources Bureau of P.R.C. to acquire the land use right of Suzhou Industrial Park and High-tech-based Industrial Development Zone in Gejiang district, Wuhu city, for the construction of plant, from 2005 to 2055, and from 2012 to 2062, respectively. For the first-time adoption of IFRS 16 on January 1, 2019, the amounts of long-term prepayments for lease was reclassified as right-of-use assets by the Company.

## BENQ MATERIALS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(13) Short-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Unsecured borrowings	\$ 57,000	50,000	674,524
Unused credit facility	\$ 7,435,901	6,833,360	5,449,518
Interest rate	<b>1.44%~1.60%</b>	<b>1.44%</b>	<b>1.10%~2.01%</b>

(14) Long-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Collateral borrowings	\$ 2,044,724	2,050,221	1,900,000
Less: current portion of long-term debt	(22,194)	(22,070)	-
Total	<b>\$ 2,022,530</b>	<b>2,028,151</b>	<b>1,900,000</b>
Unused credit facility	<b>\$ 1,300,000</b>	<b>1,300,000</b>	<b>1,100,000</b>
Maturity year	2020~2023	2019~2023	2020
Interest rate	<b>1.43%~1.79%</b>	<b>1.43%~1.79%</b>	<b>1.95%~2.00%</b>

(a) Borrowings and repayments

For the three months ended March 31, 2019, the Company's repay amount of long-term loan principal was \$5,497 thousand. For the three months ended March 31, 2018, there were no borrowings and repayments.

(b) Collateral for bank borrowings

Refer to note 8 for a description of the Company's assets pledged as collateral to secure the bank loans.

(c) Compliance with loan agreement

According to the syndicated loan agreement signed between the Company and the banks, the Company has promised to maintain certain ratios such as current ratio, liabilities ratio and minimum tangible net value based on the Company's annual audited consolidated financial statements. If the Company violates any of the related financial ratios, according to the syndicated loan agreement, the Company shall file an application for waiver and financial improvement plan to the managing bank. Failure to maintain the required financial ratios would not be considered a default unless a resolution is mad by most of the banks to refuse to grant a waiver to the Company.

On December 31, 2018, the Company's financial ratio was following the syndicated loan agreement.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(15) Lease liabilities

The Company's lease liabilities are summarized as follows:

	<b>March 31, 2019</b>		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 88,165	5,321	82,844
Between one and five years	255,560	6,348	249,212
	<b>\$ 343,725</b>	<b>11,669</b>	<b>332,056</b>
<b>Current:</b>			
Related parties	\$ 77,249	5,229	72,020
Non-related parties	10,916	92	10,824
	<b>\$ 88,165</b>	<b>5,321</b>	<b>82,844</b>
<b>Non-current:</b>			
Related parties	\$ 254,450	6,338	248,112
Non-related parties	1,110	10	1,100
	<b>\$ 255,560</b>	<b>6,348</b>	<b>249,212</b>

Amounts recognized in profit and loss:

	<b>Three months ended March 31, 2019</b>
Expense of short-term lease	<b>\$ 397</b>
Interest expense of lease liabilities	<b>\$ 1,573</b>

Amounts recognized in cash flows:

	<b>Three months ended March 31, 2019</b>
Total cash outflow of lease	<b>\$ 31,487</b>

(a) Lease of buildings

The Company leased buildings for plants. The leases typically run for a period of five years, new lease agreement and rental payment will be discussed at the end of lease period. Then, the Company will reassess the right-of-use assets and lease liabilities.

(b) Other leases

The Company applies the recognition exemption to account for short-term leases instead of recognizing as right-of-use assets and lease liabilities, primarily for less than one-year leases of factory building and vehicles.

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(16) Provisions – current

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Balance at the beginning for the period	\$ 1,000	93,456
Provisions made	-	2,476
Amount utilized	-	(44,762)
Amount reversed	-	(44,762)
Balance at the end for the period	<b>\$ 1,000</b>	<b>6,408</b>

On September 1, 2016, for enhancing market competitiveness and reducing operating costs, the Company terminated certain production lines in Tainan Science-based Industrial Park and related lease contracts of the factory building, which resulted in a disagreement with the lessor. In the first quarter of 2018, the Company reached a settlement with the lessor. The Company recognized an adjustment of restructuring provision of \$(44,762) thousand, in other operating expenses.

(17) Operating lease

There was no significant addition in the Company's operating lease contracts for the three months ended March 31, 2018. Refer to Note 6(15) for the consolidated financial statements for the year ended December 31, 2018 for the details.

(18) Employee benefits

(a) Defined benefit plans

Subsequent to December 31, 2018, there was no significant market volatility, significant curtailment, reimbursement and settlement or other significant one-time events. Therefore, the pension cost in the consolidated interim financial statements was measured and disclosed by the Company according to the pension cost valued by actuary as of December 31, 2018 and 2017.

The expenses recognized were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 65	16
Operating expenses	20	11
	<b>\$ 85</b>	<b>27</b>

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(b) Defined contribution plans

Pension expenses under contribution rate of defined pension:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 11,403	9,522
Operating expenses	6,210	5,671
	<b>\$ 17,613</b>	<b>15,193</b>

(19) Income taxes

(a) Income tax expenses:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Current year	\$ 22,209	17,910

(b) For the three months ended March 31, 2019 and 2018, the Company's income taxes unrecognized directly in equity or other comprehensive income.

(c) The tax authorities have completed the examination of income tax returns of BenQ through 2016.

(20) Capital and other equity

(a) Common stock

As of March 31, 2019, December 31, 2018 and March 31, 2018, BenQ's authorized shares of common stock consisted of 400,000 thousand shares, with par value of \$10 per share, all amounted to \$4,000,000 thousand, of which 320,675 thousand shares were issued and outstanding.

(b) Capital surplus

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Changes in equity of associates accounted for using equity method	\$ 2,735	2,733	2,725
Difference between consideration and carrying amount from acquisition of shares in subsidiaries			-
	<b>\$ 2,736</b>	<b>2,734</b>	<b>2,725</b>

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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 based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from stockholders 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.

### (c) Retained earnings

In accordance with BenQ's Articles of Incorporation, where 10% of the annual earnings, after payment of income taxes and offsetting accumulated deficits, if any, shall be set aside as 10% legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remaining current-year earnings together with accumulated undistributed earnings from preceding years can be distributed after the earnings distribution plan proposed by the board of directors is approved by resolution of the shareholders' meeting.

In accordance with BenQ's Articles of Incorporation, BenQ is currently in the mature growth stage. Therefore, BenQ's dividend policy is to pay dividends from surplus considering factors such as BenQ's current and future investment environment, competitive conditions, while considering shareholders' interest, maintenance of balanced dividend and BenQ's long-term financial plan. If the current year retained earnings available for distribution, dividend to be distributed shall be no less than 10% of the current year retained earnings available for distribution.

Pursuant to the Company Act, 10% of the annual earnings after payment of income taxes shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

IN accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, special reserve equal to the total amount of items that were accounted for as deduction from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

The appropriation of 2017 earnings were approved by the stockholders at the meetings on June 20, 2018. The resolved appropriation of the dividend per share were as follows:

	<b>2017</b>	
	<b>Dividends per share (in dollars)</b>	<b>Amount</b>
Dividends per share:		
Cash dividends	\$ 0.90	<b>288,607</b>

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The appropriation of 2018 earnings were approved by the stockholders at the meetings on March 31, 2019. The resolved appropriation of the dividend per share were as follows:

	<b>2018</b>	
	<b>Dividends per share (in dollars)</b>	<b>Amount</b>
Dividends per share:		
Cash dividends	\$ 0.60	<b>192,405</b>

Related information can be accessed on the Market Observation Post System website.

(d) Other equity

	Exchange differences on translation of foreign financial statements	Remeasurement of defined benefit plans	Total
Balance at January 1, 2019	\$ 21,284	(16,004)	5,280
Foreign exchange differences arising from translation of foreign operation net assets:			
Consolidated company	44,400	-	44,400
Joint venture	3,124	-	3,124
Balance at March 31, 2019	<b>\$ 68,808</b>	<b>(16,004)</b>	<b>52,804</b>
Balance at January 1, 2018	\$ 64,015	(13,837)	50,178
Foreign exchange differences arising from translation of foreign operation net assets:			
Consolidated company	28,018	-	28,018
Joint venture	1,559	-	1,559
Balance at March 31, 2018	<b>\$ 93,592</b>	<b>(13,837)</b>	<b>79,755</b>

(e) Non-controlling interests, net of tax

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Balance at the beginning for the period	\$ 58,152	-
Effects of retrospective application	(117)	-
Restated balance at the beginning for the period	58,035	-
Equity attributable to non-controlling interests:		
Net loss	(483)	-
Exchange differences on translation of foreign financial statements	139	-
	<b>\$ 57,691</b>	<b>-</b>



# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(21) Earnings per share

(a) Basic earnings per share

	Three Months Ended March 31,	
	2019	2018
Profit attributable to shareholders of the company	\$ 70,141	110,141
Weighted-average number of ordinary shares outstanding (in thousands)	320,675	320,675
Basic earnings per share (in dollars)	\$ 0.22	0.34

(b) Diluted earnings per share

	Three Months Ended March 31,	
	2019	2018
Profit attributable to shareholders of the company	\$ 70,141	110,141
Weighted-average number of ordinary shares outstanding (in thousands)	320,675	320,675
Effect of dilutive potential common stock (in thousands):		
Employee bonuses	1,346	736
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	322,021	321,411
Diluted earnings per share (in dollars)	\$ 0.22	0.34

(22) Revenue from contracts with customers

(a) Disaggregation of revenue

	Three Months Ended March 31, 2019		
	Optoelectronics	Others	Total
Primary geographical market:			
Mainland China	\$ 1,778,674	122,974	1,901,648
Taiwan	1,252,613	148,240	1,400,853
Other country	20,657	68,653	89,310
	\$ 3,051,944	339,867	3,391,811
Major products/services:			
Optoelectronics	\$ 3,051,944	-	3,051,944
Others	-	339,867	339,867
	\$ 3,051,944	339,867	3,391,811
	Three Months Ended March 31, 2018		
	Optoelectronics	Others	Total
Primary geographical market:			
Mainland China	\$ 1,557,596	44,888	1,602,484
Taiwan	1,238,452	56,316	1,294,768
Other country	37,404	25,296	62,700
	\$ 2,833,452	126,500	2,959,952
Major products/services:			
Optoelectronics	\$ 2,833,452	-	2,833,452
Others	-	126,500	126,500
	\$ 2,833,452	126,500	2,959,952

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(b) Contract balances

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Notes and accounts receivable (including related parties)	\$ 2,222,709	2,317,660	3,087,923
Less: loss allowance	(24,916)	(24,773)	(20,424)
<b>Total</b>	<b>\$ 2,197,793</b>	<b>2,292,887</b>	<b>3,067,499</b>

Refer to Note 6(3) for disclosure of decrease in accounts receivable.

(23) Remuneration to employees and directors

According to BenQ's Articles of Incorporation, BenQ should distribute remuneration to employees and directors from 5% to 20% and no more than 1% of annual profits before income tax, respectively, after offsetting accumulated deficits, if any. Only employees, including employees of affiliate companies that meet certain conditions are entitled to the abovementioned remuneration which to be distributed in stock or cash.

For the three months ended March 31, 2019 and 2018, BenQ accrued the remuneration to employees amounting to \$9,941 thousand and \$13,863 thousand, respectively, remuneration to directors amounting to \$720 thousand and \$1,065 thousand, respectively, and the remuneration to directors were estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

Remuneration to employees for 2018 and 2017, in the amounting to \$40,742 thousand and \$58,880 thousand, respectively, remuneration to directors amounting to \$3,056 thousand and \$4,416 thousand, respectively, in cash for payment had been approved in the meeting of board of directors. The information about the remuneration to employees and directors is available at the Market Observation Post System website.

(24) Non-operating income and expenses

(a) Other Income

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Interest income on bank deposits	\$ 142	249
Government grants income	806	2,431
	<b>\$ 948</b>	<b>2,680</b>

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(b) Other gains and losses

	Three Months Ended March 31,	
	2019	2018
Gains on disposals of property, plant and equipment	\$ 270	150
Foreign exchange gains (losses), net	1,859	(76,633)
Gains (losses) on valuation of financial instruments at FVTPL, net	(23,944)	23,391
Others	1,443	28,095
	<b>\$ (20,372)</b>	<b>(24,997)</b>

(c) Finance costs

	Three Months Ended March 31,	
	2019	2018
Interest expense on bank borrowings	\$ (18,258)	(14,978)
Lease liabilities	(1,573)	-
	<b>\$ (19,831)</b>	<b>(14,978)</b>

(25) Categories of financial instruments and fair value

Except as described below, both the goals and policies of the Company's financial risk management and the Company's exposure to credit risk, liquidity risk and market risk were not materially different from those disclosed in Note 6(24)(25) of the consolidated financial statements for the year ended December 31, 2018.

(a) Categories of financial instruments

1) Financial assets

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets at fair value through profit or loss:			
Foreign exchange forward contract	\$ 710	14,691	3,059
Currency swap contract	-	4,499	2,654
Subtotal	710	19,190	5,713
Financial assets measured at amortized cost:			
Cash and cash equivalents	131,621	169,013	129,453
Notes and accounts receivable and other receivables (including related parties)	2,348,267	2,435,634	3,088,724
Other financial assets - current	5,578	5,844	6,966
Refundable deposits	19,341	21,870	10,204
Subtotal	2,504,807	2,632,361	3,235,347
Total	<b>\$ 2,505,517</b>	<b>2,651,551</b>	<b>3,241,060</b>

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 2) Financial liabilities

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Financial liabilities at fair value through profit or loss:			
Foreign exchange forward contract	\$ 6,887	1,360	7,749
Currency swap contract	503	-	-
Subtotal	<u>7,390</u>	<u>1,360</u>	<u>7,749</u>
Financial liabilities measured at amortized cost:			
Short-term borrowings	57,000	50,000	674,524
Notes and accounts payable and other payables (including related parties)	3,417,286	3,389,849	2,797,531
Long-term debt (including current portion)	2,044,724	2,050,221	1,900,000
Lease liabilities (including related parties)	332,056	-	-
Guarantee deposit received	21,607	23,203	23,345
Subtotal	<u>5,872,673</u>	<u>5,513,273</u>	<u>5,395,400</u>
Total	<u><b>\$ 5,880,063</b></u>	<u><b>5,514,633</b></u>	<u><b>5,403,149</b></u>

### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Company manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements.

As of March 31, 2019, December 31, 2018 and March 31, 2018, the Company had unused credit facilities of \$8,735,901 thousand, \$8,133,360 thousand and \$6,549,518 thousand, respectively.

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

	<b>Contractual cash flows</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>March 31, 2019</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 57,035	57,035	-	-	-
Accounts payable (including related parties)	2,885,575	2,884,127	1,448	-	-
Other payables (including related parties)	531,711	531,711	-	-	-
Long-term debt (including current portion) (floating rate)	2,151,476	24,241	26,013	2,101,222	-
Lease liabilities (including related parties)	343,725	40,495	47,670	255,560	-
Guarantee deposit received	21,607	4,613	1,997	14,753	244
	<u><b>\$ 5,991,129</b></u>	<u><b>3,542,222</b></u>	<u><b>77,128</b></u>	<u><b>2,371,535</b></u>	<u><b>244</b></u>
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	\$ (1,406,911)	(1,406,911)	-	-	-
Outflow	1,413,088	1,413,088	-	-	-
Currency swap contracts – net	503	503	-	-	-
	<u><b>\$ 6,680</b></u>	<u><b>6,680</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

(continued)

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2018</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 50,046	50,046	-	-	-
Accounts payable (including related parties)	2,913,756	2,909,380	388	3,988	-
Other payables (including related parties)	476,093	476,093	-	-	-
Long-term debt (including current portion) (floating rate)	2,164,333	16,639	26,151	2,121,543	-
Guarantee deposit received	23,203	6,061	3,383	13,513	246
	<u>\$ 5,627,431</u>	<u>3,458,219</u>	<u>29,922</u>	<u>2,139,044</u>	<u>246</u>
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	\$ (1,660,048)	(1,660,048)	-	-	-
Outflow	1,646,717	1,646,717	-	-	-
Currency swap contracts – net	(4,499)	(4,499)	-	-	-
	<u>\$ (17,830)</u>	<u>(17,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>March 31, 2018</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 675,348	675,348	-	-	-
Accounts payable (including related parties)	2,399,060	2,399,060	-	-	-
Other payables (including related parties)	398,471	398,471	-	-	-
Long-term debt (including current portion) (floating rate)	1,973,374	18,254	18,561	1,936,559	-
Guarantee deposit received	23,345	15,736	927	6,463	219
	<u>\$ 5,469,598</u>	<u>3,506,869</u>	<u>19,488</u>	<u>1,943,022</u>	<u>219</u>
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	\$ (1,255,246)	(1,255,246)	-	-	-
Outflow	1,259,936	1,259,936	-	-	-
Currency swap contracts – net	(2,654)	(2,654)	-	-	-
	<u>\$ 2,036</u>	<u>2,036</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(c) **Currency risk**

The Company's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related parties), notes and accounts payable (including related parties), and borrowings that are denominated in a currency other than the respective functional currencies of the Company. At the reporting date, the carrying amount of the Company's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of the Company (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

<b>March 31, 2019</b>					
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Change in magnitude</u>	<u>Effect on profit or loss</u>
	(in thousands)		(in thousands)		(in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 75,766	30.820	2,335,108	1%	23,351
JPY	7,399	0.2782	2,058	1%	21
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	30,315	30.820	934,308	1%	9,343
JPY	5,986,890	0.2780	1,664,355	1%	16,644

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2018

	Foreign currency	Exchange rate	TWD	Change in magnitude	Effect on profit or loss
	(in thousands)		(in thousands)		(in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 78,252	30.715	2,403,510	1%	24,035
JPY	67,681	0.2780	18,815	1%	188
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	27,104	30.715	832,499	1%	8,325
JPY	6,329,343	0.2780	1,759,557	1%	17,596

March 31, 2018

	Foreign currency	Exchange rate	TWD	Change in magnitude	Effect on profit or loss
	(in thousands)		(in thousands)		(in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 113,870	29.105	3,314,186	1%	33,142
JPY	32,299	0.2741	8,834	1%	88
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	46,822	29.105	1,362,754	1%	13,628
JPY	5,512,893	0.2741	1,511,084	1%	15,111

As the Company deal in diverse functional currencies, gains and losses on monetary items were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the three months ended March 31, 2019 and 2018 were \$1,859 thousand and \$(76,633) thousand, respectively.

(d) Fair value information

1) Financial instruments not measured at fair value

The Company's management considers that the carrying amount in consolidated financial statements of financial assets and financial liabilities measured at amortized cost approximate their fair value.

2) Financial instruments measured at fair value

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- a. Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.
- b. Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- c. Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		March 31, 2019			
		Fair Value			
Carrying amount		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	\$ 710	-	710	-	710
Financial liabilities at FVTPL:					
Foreign exchange forward contract	\$ (6,887)	-	(6,887)	-	(6,887)
Currency swap contract	(503)	-	(503)	-	(503)
Foreign exchange forward contract	\$ (7,390)	-	(7,390)	-	(7,390)
		December 31, 2018			
		Fair Value			
Carrying amount		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	\$ 14,691	-	14,691	-	14,691
Currency swap contract	4,499	-	4,499	-	4,499
	\$ 19,190	-	19,190	-	19,190
Financial liabilities at FVTPL:					
Foreign exchange forward contract	\$ (1,360)	-	(1,360)	-	(1,360)
		March 31, 2018			
		Fair Value			
Carrying amount		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	\$ 3,059	-	3,059	-	3,059
Currency swap contract	2,654	-	2,654	-	2,654
	\$ 5,713	-	(5,713)	-	(5,713)
Financial liabilities at FVTPL:					
Foreign exchange forward contract	\$ (7,749)	-	(7,749)	-	(7,749)

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (e) Valuation techniques and assumptions applied in fair value measurement

#### 1) Non-derivative financial instruments

The Company holds certain non-publicly listed stocks which are not traded in an active market. The Company reviews the net value, the current operating and future expected performance of these private companies based on evaluation of the changes in the similar companies. However, the major unobservable inputs were primarily liquidity discounts, the changes of liquidity discounts do not lead to significant potential financial impact, therefore, the Company does not intend to disclose the quantitative information.

#### 2) Derivative financial instruments

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants. The fair value of foreign currency forward contracts and foreign exchange swaps is computed by current forward exchange rate using the valuation technique.

### (f) Transfers between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the three months ended March 31, 2019 and 2018.

### (26) Financial risk management

Both the goals and policies of the Company's financial risk management were not materially different from those disclosed in Note 6(25) of the consolidated financial statements for the year ended December 31, 2018.

### (27) Capital management

The objectives, policies and procedures of the Company's capital management have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, there was no significant change in the Company's capital management information as disclosed for the year ended December 31, 2018. Refer to note 6(26) for the consolidated financial statements for the year ended December 31, 2018 for the relevant information.

### (28) Non-cash transactions of investments and financing activities

(a) Refer to Note 6(9) for The Company acquired the right-of-use assets by lease for the three months ended March 31, 2019.



# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(b) The reconciliation of liabilities from financing activities was as follows:

	January 1, 2019	Cash flows	Changes in non-cash Rent adjustment	March 31, 2019
Short-term borrowings	\$ 50,000	7,000	-	57,000
Long-term borrowings (including current portion)	2,050,221	(5,497)	-	2,044,724
Guarantee deposit received	23,203	(1,596)	-	21,607
Lease liabilities (including related parties)	361,485	(29,517)	88	332,056
Total liabilities from financing activities	<u>\$ 2,484,909</u>	<u>(29,610)</u>	<u>88</u>	<u>2,455,387</u>
			Changes in non-cash Rent adjustment	
	January 1, 2018	Cash flows	Rent adjustment	March 31, 2018
Short-term borrowings	\$ 925,040	(250,516)	-	674,524
Long-term borrowings (including current portion)	1,900,000	-	-	1,900,000
Guarantee deposit received	23,959	(614)	-	23,345
Total liabilities from financing activities	<u>\$ 2,848,999</u>	<u>(251,130)</u>	<u>-</u>	<u>2,597,869</u>

## 7. Related-party Transactions

(1) Name and relationship of related parties

Name of related party	Relationship with the Company
Qisda Corporation (“Qisda”)	Parent of the Company
Visco Vision Inc. (“Visco Vision”)	Joint venture of the Company
Cenefom Corp. (“CENEFOM”)	Joint venture of the Company
Visco Technology Sdn. Bhd.	Subsidiary of Visco Vision
Other related parties:	
BenQ foundation	Substantive related party of Qisda
AU Optronics Corp. (“AU”)	Joint venture of Qisda
Dafon Electronics Corp. (“DFN”)	Joint venture of Qisda
Dafon Electronics (Suzhou) Co., Ltd. (“DFS”)	Subsidiary of DFN
AU Optronics (L) Co. (“AUL”)	Subsidiary of AU
AFPD Pte., Ltd.	Subsidiary of AU
AU Optronics (Suzhou) Corp. (“AUS”)	Subsidiary of AU
AU Optronics (Kunshan) Corp.	Subsidiary of AU
AU Optronics (Xiamen) Corp. (“AUX”)	Subsidiary of AU
AU Optronics (Shanghai) Corp.	Subsidiary of AU
AU Optronics (Slovakia) Corp.	Subsidiary of AU
AUO Care Corp.	Subsidiary of AU
BriView (Hefei) Co., Ltd.	Subsidiary of AU
Darwin Precisions (Xiamen) Corp.	Subsidiary of AU

(Continued)

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Name of related party	Relationship with the Company
Darwin Precisions (Suzhou) Corp.	Subsidiary of AU
Darwin Precisions Corp.	Subsidiary of AU
Fortech Electronics (Suzhou) Co., Ltd.	Subsidiary of AU
Mega insight (Suzhou) Corp.	Subsidiary of AU
Lextar Electronics Corporation	Joint venture of AU
DFI Inc.	Subsidiary of Qisda
Nanjing BenQ Hospital Co., Ltd. (NMH)	Subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd. (SMH)	Subsidiary of Qisda
LILY Medical (Suzhou) Co., Ltd.	Subsidiary of Qisda
LILY Medical Corporation	Subsidiary of Qisda
Darly Venture (L) Ltd.	Subsidiary of Qisda
Darly Consulting Corporation	Subsidiary of Qisda
BenQ Asia Pacific Corp.	Subsidiary of Qisda
BenQ Asia Pacific Malaysia Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific Singapore Co., Ltd.	Subsidiary of Qisda
BenQ ESCO Corp.	Subsidiary of Qisda
BenQ GURU Corp.	Subsidiary of Qisda
BenQ Corp.	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd.	Subsidiary of Qisda
BenQ Dialysis Technology Corp.	Subsidiary of Qisda
Partner Tech Corp.	Subsidiary of Qisda
BenQ Medical Technology Corp.	Subsidiary of Qisda
BenQ AB DentCare Corporation	Subsidiary of Qisda
BenQ Hearing Solution Corporation	Subsidiary of Qisda
BenQ Intelligent Technology (Shanghai) Co.,Ltd	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd.	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd.	Subsidiary of Qisda
Qisda (Suzhou) Co., Ltd.	Subsidiary of Qisda
Qisda Precision Industry (Suzhou) Co., Ltd.	Subsidiary of Qisda

(2) The Company's significant related party transactions

(a) Operating income

	Three Months Ended March 31,	
	2019	2018
Other related parties:		
AU	\$ 1,186,880	1,213,954
AUS	334,781	113
AUX	207,487	77
AUL	3,731	575,981
Others	3,870	2,440
Joint ventures	10,193	5,160
	<b>\$ 1,746,942</b>	<b>1,797,725</b>

## BENQ MATERIALS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The sales prices for the transactions of related parties were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers. The payment terms of 90 to 120 days showed no significant difference between related parties and third-party customers.

(b) Purchases

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Joint ventures	<b>\$ 48,485</b>	<b>45,762</b>

The purchase prices for the transactions of related parties were not comparable to the purchase prices for third-party customers as the specifications of products were different. The purchase prices were under the purchase arrangement and conditions.

(c) Acquisition of property, plant and equipment

The aggregated prices of the Company acquired other assets of related parties were as follows:

<b>Related-party categories</b>	<b>Account</b>	<b>Three Months Ended March 31,</b>	
		<b>2019</b>	<b>2018</b>
Parent	Intangible assets	\$ 1,031	982
Other related parties	Equipment	672	-
		<b>\$ 1,703</b>	<b>982</b>

(d) Lease

The Company rented the plants and offices from AU and referred to neighboring areas for the rental. The rental expense for the three months ended March 31, 2018, amounted to \$17,614 thousand. There was no prepaid rental as of December 31, 2018, and March 31, 2018. First-time adoption of IFRS 16 on January 1, 2019, the lease transaction was recognized in right-of-use assets and lease liabilities of \$327,330 thousand and \$346,090 thousand, respectively. Interest expense for the three months ended March 31, 2019, amounted to \$1,519 thousand. As of March 31, 2019, the lease liabilities amounted to \$320,132 thousand.

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The Company rented out its plants and offices to related parties. The aggregated rental income was as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Other related parties	<b>\$ 407</b>	<b>900</b>

(e) Accounts receivable – related parties

In summary, the Company's accounts receivable of related parties are detailed below:

<b>Account</b>	<b>Related-party categories</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Net accounts receivable – related parties	Other related Parties - AUL	\$ 47,373	425,857	680,332
	Other related Parties - AU	3,136	152,988	1,243,085
	Other related Parties - AUX	207,916	1,999	76
	Other related Parties - AUS	189,250	1,988	142
	Other related Parties - others	4,930	5,076	1,669
	Joint ventures	17,474	23,831	5,104
		470,079	611,739	1,930,408
Other receivables – related parties	Other related parties	100	278	504
		<b>\$ 470,179</b>	<b>612,017</b>	<b>1,930,912</b>

The Company entered factoring contracts with financial institutions to sell its accounts receivable from related parties without recourse. These contracts met the condition of financial asset derecognition, details of these contracts were as follows:

<b>March 31, 2019</b>					
<b>Underwriting bank</b>	<b>Factored amount</b>	<b>Factoring credit limit</b>	<b>Advance amount</b>	<b>Range of interest rates</b>	<b>Collateral</b>
Mega International Commercial Bank	\$ 1,373,202	2,000,000	1,235,882	3.22%~3.23%	Promissory note 200,000
Chinatrust Commercial Bank	68,489	554,760	61,640	3.32%	Promissory note 55,476
	<b>\$ 1,441,691</b>	<b>2,554,760</b>	<b>1,297,522</b>		<b>255,476</b>
<b>December 31, 2018</b>					
<b>Underwriting bank</b>	<b>Factored amount</b>	<b>Factoring credit limit</b>	<b>Advance amount</b>	<b>Range of interest rates</b>	<b>Collateral</b>
Mega International Commercial Bank	\$ 1,194,472	2,000,000	1,075,025	3.65%	Promissory note 200,000
Chinatrust Commercial Bank	153,575	552,870	138,218	3.90%	Promissory note 55,287
	<b>\$ 1,348,047</b>	<b>2,552,870</b>	<b>1,213,243</b>		<b>255,287</b>

The factored accounts receivable, net of advance amounts, as of March 31, 2019, and December 31, 2018 were recognized as other receivables of \$144,169 thousand and \$134,804 thousand, respectively. As of March 31, 2018, there are no factored accounts receivable from related parties.

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(f) Accounts payable – related parties

In summary, the Company's accounts payable – related parties are detailed below:

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Accounts payable – related parties	Joint ventures	\$ 42,874	40,645	11,755
	Other related Parties	58	-	-
		42,932	40,645	11,755
Other payables – related parties	Other related Parties	10,627	15,520	30,148
	Joint ventures	-	-	9
	Parent	1,031	5	1,036
		11,658	15,525	31,193
		<u>\$ 54,590</u>	<u>56,170</u>	<u>42,948</u>

(3) Compensation for key management personnel

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 11,550	11,565
Post-employment benefits	81	81
	<u>\$ 11,631</u>	<u>11,646</u>

**8. Pledged assets**

The carrying amount of the assets pledged as collateral are detailed below:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Land and buildings	Long-term debt	\$ 714,936	720,446	709,660
Machinery and equipment	Long-term debt	116,755	118,930	-
		<u>\$ 831,691</u>	<u>839,376</u>	<u>709,660</u>

**9. Significant commitments and contingencies**

Significant unrecognized commitments:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Unused letters of credit	\$ 1,161,957	971,528	713,323
Unpaid payments of major construction and equipment	148,030	157,620	117,810

**10. Significant loss from disaster: None**

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 11. Significant subsequent events

For the purpose of aggregating the group's resources and improving operating efficiency, BenQ's board of directors approved on May 6, 2019, in accordance with Business Mergers and Acquisitions Act Ruling No. 30, to purchase SMS's ordinary shares at NT\$14 per share. BenQ will acquire 100% shareholdings of SMS in accordance with the share exchange transaction on June 17, 2019.

### 12. Others

(1) Functional aggregation of employee benefits, depreciation, depletion and amortization:

Function	Three months ended March 31,					
	2019			2018		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Nature						
Employee benefits expenses:						
Salaries and wages	307,608	140,151	447,759	267,768	127,201	394,969
Labor and health insurances	23,956	10,569	34,525	19,792	9,423	29,215
Retirement benefits	11,468	6,230	17,698	9,538	5,682	15,220
Other employee benefits	15,277	5,175	20,452	14,055	4,968	19,023
Depreciation	126,693	31,417	158,110	86,315	32,542	118,857
Amortization	1,581	4,494	6,075	3,683	5,624	9,307

(2) The Company's operations are not materially influenced by seasonality or cyclicity.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 13. Additional disclosures

(1) Information on significant transactions:

For the three months ended March 31, 2019, the Company should disclose relevant information on significant transactions in accordance with Preparation of Financial Reports:

(a) Financing provided to other parties:

(Expressed in thousands of New Taiwan dollars)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the period		Ending balance	Actual amount drawn down	Interest rate
1	BMS (Note 1)	BenQ Materials (Wuhu) Co., Ltd	Other receivables – related parties	Yes	920,700 (RMB200,000)	917,260 (RMB200,000)	882,863 (RMB192,500)	2.8750%	
Nature of loan (Note 2)	Amounts of transaction with the borrower	Reason for short-term financing	Amounts of allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted		
				Item	Value				
2	-	Business operation	-		-	1,173,334	1,955,556		

(Note 1): The aggregate financing amount to subsidiaries wholly owned by the parent and the individual financing amount of BMS shall not exceed 100% and 60%, respectively, of the most recent audited or reviewed net worth of BMS.

(Note 2): Purpose of fund financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(Note 3): The transactions have been eliminated when preparing the consolidated financial statements.

(b) Provision of endorsements and guarantees to others: None.

(c) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates):

Investing company	Marketable securities type and name	Relation with the securities issuer	Financial statement account	As of March 31, 2019				Footnote
				Shares	Carrying amount	Ownership (%)	Fair value	
BenQ	Stock: Biodenta Corporation	-	Financial assets at fair value through profit or loss	225	(Note)	2.50%	-	

(Note): The impairment loss was fully recognized.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- (d) Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
- (e) Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more:

Purchaser (seller)	Counter party	Relationship with the counter party	Transaction Detail				Differences in transaction terms compared to third-party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	% of total purchases (sales)	Credit term	Unit price	Credit term	Balance	% of total Notes/accounts receivable (payable)	
BenQ	AU	Other related party	Sales	1,186,880	35%	OA90	(Note 1)	(Note 2)	3,136	-	-
BenQ	AUS	Other related party	Sales	334,781	10%	OA90	"	"	189,250	9%	-
BenQ	AUX	Other related party	Sales	207,487	6%	OA90	"	"	207,916	9%	-
BenQ	BMS	Subsidiary	Purchases	177,400	5%	OA90	"	"	(187,703)	7%	(Note 3)
BenQ	BMLB	Subsidiary	Purchases	294,842	9%	OA90	"	"	-	-	(Note 3)

(Note 1): The sales prices for the transactions of related parties were not comparable to the sales prices for third-party customers

as the specifications of products were different. For the other transactions, there were no significant differences between

the sales prices for related parties and those for third-party customers.

(Note 2): The transactions, there were no significant differences between related parties and those for third-party customers.

(Note 3): The transactions have been eliminated when preparing the consolidated financial statements.

(Note 4): Due to the amounts of transactions of purchases and sales between the Company and related parties is insignificant, combined disclosure is adopted.

- (h) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

Company name	Counter party	Relationship with the counter party	Balance as at March 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
BenQ	AUX	Other related party	207,916	7.91	-	-	2,140	-
BenQ	AUS	Other related party	189,250	14.00	-	-	883	-
BMS (Note 1)	BenQ	Subsidiary	187,703	7.52	-	-	61,647	-

(Note 1): The transactions have been eliminated when preparing the consolidated financial statements.



## BENQ MATERIALS CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (i) Trading in derivative instruments: The transactions information of trading in derivative instruments by the Company, please refer to Note 6(2) for the consolidated financial statements for the details.
- (j) Significant inter-company transactions:

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction (Note 3)			
				Account	Amount	Transaction term	% of consolidated total operating revenues or total assets (Note 4)
1	BMLB	BenQ	2	Sales	294,842	OA90	8.69%
2	BMS	BenQ	2	Revenues of conversion	177,400	OA90	5.23%
2	BMS	BenQ	2	Accounts receivable	187,703	OA90	1.76%

(Note 1): The number is filled in as follows:

- 1) Number 0 represents the parent.
- 2) Subsidiaries are numbered in order from number 1.

(Note 2): The transaction relationships with the counterparties are as follows:

- 1) The parent to the subsidiary.
- 2) The subsidiary to the parent.
- 3) The subsidiary to another subsidiary.

(Note 3): The significant inter-company transactions, only the transactions of sales and accounts receivable have been disclosed, due to the amounts of transactions of purchases and accounts payable between the Company and related parties are insignificant, combined disclosure is adopted.

(Note 4): The transaction amount is divided by consolidated operating revenues or consolidated total assets.

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## Notes to Consolidated Financial Statements

### (2) Information on investees:

The information of investee companies for the three months ended March 31, 2019 (excluding investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2019			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at March 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Carrying amount			
BenQ	BMLB	Malaysia	Investment holding	1,141,340	1,141,340	35,082	100.00%	1,698,816	(42,701)	(42,701)	(Note 1)
BenQ	SMS	Taiwan	Manufacture and sales of medical consumables and equipment	498,716	498,716	35,623	89.06%	469,475	(5,151)	(3,928)	
BenQ	Visco Vision	Taiwan	Manufacture and sales of contact lenses	180,523	180,523	9,984	18.58%	137,560	30,097	5,412	
BenQ	CENEFOM	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	29,127	29,127	1,095	15.48%	13,916	(3,660)	(567)	

(Note 1): The transactions have been eliminated when preparing the consolidated financial statements.

### (3) Information on investments in Mainland China:

#### (a) Relevant information on investments in Mainland China:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of March 31, 2019	Net income of investee for the current period	Ownership held by BenQ (direct or indirect)	Investment income (loss) recognized for the current period	Carrying amount of investments as of March 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
BenQ Material Co., Ltd. ("BMS")	Manufacture of optoelectronics	893,780 (USD29,000)	(3)	893,780 (USD29,000)	-	-	893,780 (USD29,000)	4,181	100.00%	4,181 (Note 2)	2,010,293 (Note 4)	-
Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Sales of optoelectronics and medical consumables	50,450 (RMB11,000)	(2)	-	-	-	-	(4,290)	100.00%	(4,290) (Note 2)	42,948 (Note 4)	-
BenQ Materials (Wuhu) Co., Ltd.	Manufacture and sales of optoelectronics	366,904 (RMB80,000)	(3)	183,452 (RMB40,000)	-	-	183,452 (RMB40,000) (Note 3)	(37,867)	100.00%	(37,867) (Note 2)	(324,308) (Note 4)	-
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	49,065 (USD1,592)	(1)	49,065 (USD1,592)	-	-	49,065 (USD1,592)	1,763	89.06%	1,570 (Note 2)	52,221 (Note 4)	-

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(Note 1): Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) The reinvestments in Mainland China were from the earnings of BMLB.
- (3) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2): Investment income or loss was recognized based on the reviewed financial statements issued by the auditors of the parent in Taiwan.

(Note 3): The amounts of BMLB reinvestments RMB10,950 thousand were excluded.

(Note 4): The transactions have been eliminated when preparing the consolidated financial statements.

(b) Limits on investments in Mainland China:

(Expressed in thousands of New Taiwan dollars)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment by Investment Commission, MOEA
BenQ	1,077,232 (USD29,000 and RMB40,000)	1,127,452 (USD29,000 and RMB50,950)	(Note)
SMS	49,065 (USD1,592)	49,065 (USD1,592)	255,183

The above amounts were translated into NTD at the exchange rate of USD1=NTD30.820 and RMB1=NTD4.5863.

(Note): Since BenQ has obtained the Certificate of Headquarter Operation, there is no upper limit on investment in Mainland China.

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

The direct or indirect transactions in Mainland China have been eliminated when preparing the consolidated financial statements for the three months ended March 31, 2019, please refer to "Information on significant transactions" for the details.

# BENQ MATERIALS CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 14. Segment information

The Company's operating segment information and reconciliation are as follows:

	<b>Three Months Ended March 31, 2019</b>			
	<b>optoelectronics</b>	<b>Others</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
External revenue	\$ 3,051,944	339,867	-	3,391,811
Intra-segment revenue	-	-	-	-
Total revenue	<u>\$ 3,051,944</u>	<u>339,867</u>	<u>-</u>	<u>3,391,811</u>
Segment profit	<u>\$ 58,354</u>	<u>11,304</u>	<u>-</u>	<u>69,658</u>

	<b>Three Months Ended March 31, 2018</b>			
	<b>optoelectronics</b>	<b>Others</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
External revenue	\$ 2,833,452	126,500	-	2,959,952
Intra-segment revenue	-	-	-	-
Total revenue	<u>\$ 2,833,452</u>	<u>126,500</u>	<u>-</u>	<u>2,959,952</u>
Segment profit	<u>\$ 82,350</u>	<u>27,791</u>	<u>-</u>	<u>110,141</u>

The Company did not present the measured amount of total assets and total liabilities from segments to the Company's chief operating decision maker.