

BENQ MATERIALS CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements
With Independent Auditors' Report
For the Six Months Ended June 30, 2020 and 2019

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. 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 June 30, 2020 and 2019, the related consolidated statements of comprehensive income, for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019 and changes in equity and cash flows for the six months ended June 30, 2020 and 2019, 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 (7), the equity accounted investments of BenQ Materials Corp. and its subsidiaries in the investee companies amounted to \$190,389 thousand and \$161,179 thousand as of June 30, 2020 and 2019, respectively, as well as the equity in net earnings on the joint ventures using the equity method of \$11,144 thousand, \$8,999 thousand, \$21,497 thousand and \$13,844 thousand for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, 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 June 30, 2020 and 2019, and the consolidated financial performance for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, and the consolidated cash flows for the six months ended June 30, 2020 and 2019, 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
August 4th, 2020

Review only, not audited in accordance with generally accepted auditing standards as of June 30, 2020 and 2019

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31, 2019 and June 30, 2019

(Expressed in thousands of New Taiwan dollars)

	June 30, 2020		December 31, 2019		June 30, 2019			June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets													
Current assets:							Liabilities and Stockholders' Equity						
1100 Cash and cash equivalents (Note6(1))	\$ 149,074	1	196,254	2	81,816	1	2100 Short-term borrowings (Note 6(13))	\$ 50,979	-	56,800	1	76,764	-
1110 Financial assets measured at fair value through profit or loss – current (Note 6(2))	6,943	-	8,696	-	15,106	-	2120 Financial liabilities measured at fair value through Profit or loss – current (Note 6(2))	8,165	-	1,991	-	2,062	-
1120 Financial assets at fair value through other comprehensive income-current (Note 6(3))	91,200	1	101,232	1	-	-							
1170 Notes and accounts receivable, net (Note 6(4),(21))	1,925,329	18	1,761,951	17	2,018,485	20	2170 Notes and accounts payable	2,901,555	27	2,570,518	25	2,724,115	26
1180 Accounts receivable from related parties, net (Note 6(4),(21)&7)	87,621	1	69,628	1	26,914	-	2180 Notes and accounts payable to related parties (Note 7)	69,540	1	21,830	-	32,886	-
1200 Other receivable (Note 6(4)(5)&7)	196,813	2	228,504	2	226,388	2	2210 Other payables (Note 6(8),(22))	996,347	10	1,108,900	11	1,080,102	11
1210 Other receivable from related parties (Note 6(5)&7)	28,428	-	164	-	2,345	-	2216 Dividends payable (Note 6(19)&7)	160,337	2	-	-	192,405	2
1310 Net inventories (Note 6(6))	2,004,076	20	1,963,517	19	1,863,464	18	2220 Other payables to related parties (Note 7)	10,699	-	18,277	-	11,181	-
1470 Other current assets	350,573	3	237,817	2	230,061	2	2320 Current portion of long-term loans payable (Note 6(14)&8)	-	-	-	-	22,278	-
1476 Other current financial assets	4,981	-	4,639	-	5,721	-	2281 Current lease liabilities (Note 6(15))	2,869	-	3,252	-	9,693	-
Total current assets	<u>4,845,038</u>	<u>46</u>	<u>4,572,402</u>	<u>44</u>	<u>4,470,300</u>	<u>43</u>	2282 Current lease liabilities – related parties (Note 6(15)&7)	81,485	1	80,467	1	75,243	1
Noncurrent assets:							2399 Other current liabilities	77,947	1	115,672	1	71,677	1
1517 Financial assets at fair value through other comprehensive income-noncurrent (Note 6(3))	1,500	-	-	-	-	-	Total current liabilities	<u>4,359,923</u>	<u>42</u>	<u>3,977,707</u>	<u>39</u>	<u>4,298,406</u>	<u>42</u>
1550 Investment in equity-accounted investees (Note 6(7))	190,389	2	201,712	2	161,179	2	Noncurrent liabilities:						
1600 Property, plant and equipment (Note 6(9),7&8)	4,324,488	42	4,357,273	43	4,284,243	42	2540 Long-term borrowings, excluding current						
1755 Right-of-use asset (Note6(10)&7)	262,544	3	306,572	3	358,153	4	2570 Installments (Note 6(14)&8)	1,910,250	19	1,993,000	19	1,616,929	16
1760 Investment Property (Note 6(11))	450,841	4	483,964	5	528,509	5	2581 Deferred tax liabilities	5,930	-	5,953	-	10,377	-
1780 Intangible assets (Note 6(12)&7)	38,312	-	44,578	-	37,537	-	2582 Noncurrent lease liabilities (Note6(15))	6,283	-	7,567	-	9,152	-
1840 Deferred tax assets	244,751	2	245,132	2	311,262	3	2600 Noncurrent lease liabilities – related Parties (Note 6(15)&7)	137,173	1	181,602	2	225,997	2
1920 Refundable deposits	13,953	-	17,202	-	18,146	-	2600 Other noncurrent liabilities	26,351	-	31,124	-	27,812	-
1995 Other noncurrent assets	94,773	1	99,086	1	109,364	1	Total noncurrent liabilities	<u>2,085,987</u>	<u>20</u>	<u>2,219,246</u>	<u>21</u>	<u>1,890,267</u>	<u>18</u>
Total noncurrent assets	<u>5,621,551</u>	<u>54</u>	<u>5,755,519</u>	<u>56</u>	<u>5,808,393</u>	<u>57</u>	Total liabilities	<u>6,445,910</u>	<u>62</u>	<u>6,196,953</u>	<u>60</u>	<u>6,188,673</u>	<u>60</u>
							Equity: (Note 6(19))						
							3110 Ordinary stock	3,206,745	30	3,206,745	31	3,206,745	31
							3200 Capital surplus	11,423	-	5,618	-	5,618	-
							3310 Retained earnings:						
							3320 Legal reserve	277,665	3	251,953	2	251,953	3
							3350 Special reserve	33,896	-	-	-	-	-
							3400 Unappropriated retained earnings	590,074	6	700,548	7	600,239	6
							3400 Other components of equity	(99,124)	(1)	(33,896)	-	25,465	-
							Total equity	<u>4,020,679</u>	<u>38</u>	<u>4,130,968</u>	<u>40</u>	<u>4,090,020</u>	<u>40</u>
							Total Liabilities and Equity	<u>\$ 10,466,589</u>	<u>100</u>	<u>10,327,921</u>	<u>100</u>	<u>10,278,693</u>	<u>100</u>
Total Assets	<u>\$10,466,589</u>	<u>100</u>	<u>10,327,921</u>	<u>100</u>	<u>10,278,693</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 and six months ended June 30, 2020 and 2019

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

	Three Months Ended June 30				Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4110 Revenue (Note 6 (21), 7 & 14)	\$ 3,720,713	100	3,659,222	100	7,164,319	100	7051,033	100
5000 Cost of sales (Note 6(6),(9),(10),(11),(12),(15), (17),(22)7&12)	(3,185,074)	(86)	(3,018,384)	(82)	(6,131,787)	(86)	(5,878,662)	(83)
Gross profit	535,639	14	640,838	18	1,032,532	14	1,172,371	17
Operating expenses: (Note 6 (4),(9),(10),(12),(15), (17),(22)7&12):								
6100 Marketing expenses	(205,645)	(5)	(220,823)	(6)	(414,252)	(6)	(413,138)	(6)
6200 General and administrative expenses	(56,459)	(1)	(61,310)	(2)	(108,239)	(1)	(114,892)	(2)
6300 Research and development expenses	(173,797)	(5)	(173,042)	(5)	(327,473)	(4)	(332,401)	(5)
Operating income	(435,901)	(11)	(455,175)	(13)	(849,964)	(11)	(860,431)	(13)
Non-operating income and loss (Note 6 (7),(15),(23)&7):	99,738	3	185,663	5	182,568	3	311,940	4
7100 Interest income	271	-	534	-	523	-	676	-
7010 Other income	434	-	264	-	1,318	-	1070	-
7020 Other gains and losses – net	4,755	-	(59,207)	(2)	(24,886)	-	(79,579)	(1)
7050 Finance costs	(15,284)	-	(19,044)	-	(35,440)	(1)	(38,875)	-
7370 Share of profit of associates accounted for using equity method	11,144	-	8,999	-	21,497	-	13,844	-
Income (loss) Before income tax	(1,320)	-	(68,454)	(2)	(36,988)	(1)	(102,864)	(1)
7950 Less: income tax expense (Note 6(18))	101,058	3	117,209	3	145,580	2	209,076	3
Net Income (loss)	(24,153)	(1)	(30,436)	(1)	(36,109)	-	(52,645)	(1)
Net Income (loss)	76,905	2	86,773	2	109,471	2	156,431	2
Other comprehensive income: Items that will not be reclassified to profit or loss (Note 6(19))								
8316 Unrealized gain on equity instrument investment measured at fair value through other comprehensive income	(4,160)	-	-	-	(10,032)	-	-	-
8349 Income tax related to components of items not to be reclassified	-	-	-	-	-	-	-	-
	(4,160)	-	-	-	(10,032)	-	-	-
8360 Items that may be reclassified subsequently to profit or loss (Note 6(7),(19))								
8361 Exchange differences on translating the financial statements of foreign operations	(25,779)	(1)	(27,207)	-	(44,526)	(1)	17,332	1
8370 Equity-accounted investees – share of other comprehensive income (loss)	(2,211)	-	(182)	-	(10,670)	-	2,942	-
8399 Related tax	-	-	-	-	-	-	-	-
Total Items that may be reclassified subsequently to profit or loss	(27,990)	(1)	(27,389)	-	(55,196)	(1)	20,274	1
Other comprehensive income (loss), net of tax	(32,150)	(1)	(27,389)	-	(65,228)	(1)	20,274	1
8500 Total comprehensive income (loss)	\$ (44,755)	1	59,384	2	44,243	1	176,705	3
Profit (loss) attributable to:								
8610 Shareholders of the Company	\$ 76,905	2	86,674	2	109,471	2	156,815	2
8620 Non-controlling interests	-	-	99	-	-	-	(384)	-
	\$ 76,905	2	86,773	2	109,471	2	156,431	2
Total comprehensive income (loss) attributable to:								
8710 Shareholders of the Company	\$ 44,755	1	59,335	2	44,243	1	177,000	3
8720 Non-controlling interests	-	-	49	-	-	-	(295)	-
	\$ 44,755	1	59,384	2	44,243	1	176,705	3
Earnings per share (expressed in New Taiwan dollars, Note 6(20))								
9750 Basic earnings per share	\$ 0.24		0.27		0.34		0.49	
9850 Diluted earnings per share	\$ 0.24		0.27		0.34		0.49	

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 six months ended June 30, 2020 and 2019
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent												
	Common shares	Capital surplus	Retained earnings			Other equity				Equity attributable to shareholders of the parent	Non-controlling interests	Total equity	
			Legal reserve	Special reserve	Unappropriated retained earnings	Subtotal	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through OCI	Remeasurement of defined benefit plans				Subtotal
Balance at January 1, 2019	\$ 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
Appropriation of earnings	-	-	32,858	-	(32,858)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(192,405)	(192,405)	-	-	-	-	(192,405)	-	(192,405)
Changes in other capital surplus:													
Changes in joint ventures accounted for under equity method	-	2,885	-	-	-	-	-	-	-	-	2,885	-	2,885
Differences between consideration and carrying amount of subsidiaries	-	(1)	-	-	(3,543)	(3,543)	-	-	-	-	(3,544)	(57,740)	(61,284)
Net income	-	-	-	-	156,815	156,815	-	-	-	-	156,815	(384)	156,431
Other comprehensive income (loss)	-	-	-	-	-	-	20,185	-	-	20,185	20,185	89	20,274
Total comprehensive income (loss)	-	-	-	-	156,815	156,815	20,185	-	-	20,185	177,000	(295)	176,705
Balance at June 30, 2019	\$ 3,206,745	5,618	251,953	-	600,239	852,192	41,469	-	(16,004)	25,465	4,090,020	-	4,090,020

Balance at January 1, 2020	\$ 3,206,745	5,618	251,953	-	700,548	952,501	(36,865)	22,832	(19,863)	(33,896)	4,130,968	-	4,130,968
Appropriations on earnings													
Legal reserve	-	-	25,712	-	(25,712)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	33,896	(33,896)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(160,337)	(160,337)	-	-	-	-	(160,337)	-	(160,337)
Changes in other capital surplus:													
Changes in joint ventures accounted for under equity method	-	5,805	-	-	-	-	-	-	-	-	5,805	-	5,805
Net income	-	-	-	-	109,471	109,471	-	-	-	-	109,471	-	109,471
Other comprehensive income (loss)	-	-	-	-	-	-	(55,196)	(10,032)	-	(65,228)	(65,228)	-	(65,228)
Total comprehensive income (loss)	-	-	-	-	109,471	109,471	(55,196)	(10,032)	-	(65,228)	(44,243)	-	(44,243)
Balance at June 30, 2020	\$ 3,206,745	11,423	277,665	33,896	590,074	901,635	(92,061)	12,800	(19,863)	(99,124)	4,020,679	-	4,020,679

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 six months ended June 30, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	Six months ended	
	June 30,	
	2020	2019
Cash flows from operating activities:		
Income before income tax	\$ 145,580	209,076
Adjustments for:		
Depreciation	299,422	319,960
Amortization	20,077	9,084
Reversal gains on expected credit impairment	72	(401)
Loss on financial instruments at fair value through profit or loss	(7,927)	4,786
Interest expense	35,440	38,875
Interest income	(523)	(676)
Share of profit of associates and joint ventures accounted for using equity method	(21,497)	(13,844)
Gains (loss) on disposals of property plant and equipment	30	(270)
Expense transferred from amortized other Non-Current assets	62,743	49,574
Amortization of syndication commission cost	950	950
Subtotal of income and expense (loss) items	404,641	408,038
Changes in operating assets and liabilities:		
Changes in operating assets:		
- increase in notes and accounts receivable	(132,208)	(376,418)
- decrease (increase) in accounts receivables from related parties	(17,188)	537,932
- decrease (increase) in other accounts receivables	(572)	2,456
- increase in other accounts receivables from related parties	(309)	(2,067)
- decrease (increase) in inventories	(40,559)	(67,204)
- decrease (increase) in other current assets	(104,639)	3,313
- increase in other non-current assets	(27)	(1072)
Subtotal of changes in operating assets	(295,502)	(231,348)
Changes in operating liabilities:		
- increase (decrease) in accounts payable	331,037	(148,996)
- increase (decrease) in accounts payable from related parties	(47,710)	7,759
- decrease in other accounts payable	(73,491)	(16,762)
- decrease in other accounts payable from related parties	(7,578)	(4,344)
- increase (decrease) in other current liability	(37,725)	(4,149)
- decrease in defined provisions for benefits	(919)	(977)

(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 six months ended June 30, 2020 and 2019
(Expressed in thousands of New Taiwan dollars)

	Six months ended	
	June 30,	
	2020	2019
Subtotal of changes in operating liabilities	259,034	(174,689)
Subtotal of changes in operating assets and liabilities	(36,468)	56,659
Subtotal of adjustment items	368,173	464,697
Cash generated from operation	513,753	673,773
Cash received from interest income	523	676
Cash paid for interest	(35,648)	(38,552)
(Payment) Refunded Income tax	(10,180)	(18,623)
Net cash provided by operating activities	468,448	617,274
Cash flows from investing activities:		
Acquisitions on financial assets at fair value through other comprehensive income	\$ (1,500)	-
Acquisitions of property, plant and equipment	(322,498)	(171,713)
Disposals of property plant and equipment	4	980
Decrease in refundable deposits	3,249	3,724
Increase in intangible assets	(14,088)	(6,894)
Decrease (increase) in other financial assets	(342)	123
Increase in other non-current assets	(59,247)	(63,055)
Net cash used in investing activities	(394,422)	(236,835)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(5,821)	26,764
Proceeds from long-term debt	4,610,250	5,400,000
Repayments of long-term debt	(4,693,000)	(5,811,014)
Decrease in guarantee deposits received	(3,854)	(2,668)
Repayments of lease liabilities	(45,865)	(52,064)
Purchase subsidiary shares from non-controlling interests	-	(39,169)
Net cash flows (outflows) from financing activities	(138,290)	(478,151)
Effect of exchange rate changes on cash and cash equivalents	17,084	10,515
Net increase (decrease) in cash and cash equivalents	(47,180)	(87,197)
Cash and cash equivalents at beginning of period	196,254	169,013
Cash and cash equivalents at end of period	\$ 149,074	81,816

See accompanying notes to the consolidated financial statements

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

I. 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 August 4, 2020.

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, 2020.

<u>New, Amended and Revised Standards, and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3 “Definitions of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definitions of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The consolidated company has assessed that the adoption of the above standards has not had a material impact on the consolidated financial statements.

- (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:

<u>New, Amended and Revised Standards, and Interpretations</u>	<u>Effective Date Issued by IASB</u>
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
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IAS 1 “Classifying liabilities as current or non-current”	January 1, 2022

BENQ MATERIALS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

New, Amended and Revised Standards, and Interpretations	Effective Date Issued by IASB
Amendments to IAS 16 “Property, Plant and Equipment-achieved the Predetermined Price before using”	January 1, 2022
Amendments to IAS 37 “Onerous Contract-Cost of Performance Contract”	January 1, 2022
Annual Improvements to IFRS 2018-2020 Cycle	January 1, 2022
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023

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

Release Dates	Standards or Interpretations	Content of amendment
January 23, 2020	Amendments to IAS 1 “Classifying liabilities as current or non-current”	The amendments are for improving the consistency of the application standard and assisting companies in determining whether debts or other liabilities with uncertain settlement dates should be classified as current (or those may expired in one year) or non-current. The amendments also clarify the classification requirements of debts which companies may convert to equity.

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, 2019. Refer to Note 4 for the consolidated financial statements for the year ended December 31, 2019 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
			June 30, 2020	December 31, 2019	June 30, 2019	
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	100.00	100.00	100.00	-
BMLB	BenQ Material Co., Ltd. ("BMS")	Manufacture of optoelectronics	100.00	100.00	100.00	-
BMLB	Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Sales of medical consumables	100.00	100.00	100.00	-
BMLB	BenQ Materials (Wuhu) Co., Ltd	Manufacture and sales of optoelectronics and cosmetics	100.00	100.00	100.00	-
BMLB	BenQ Materials Medical (Suzhou) Corporation (BMM)	Manufacture and sales of medical consumables and equipment	100.00	100.00	-	(Note 1)
SMS	Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	100.00	100.00	100.00	-

(Note 1): Established on July 8, 2019.

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

(3) 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.

(4) 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.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2019.

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, 2019.

(1) Cash and Cash Equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 209	397	551
Demand deposits and checking accounts	148,865	195,857	81,265
	\$ 149,074	196,254	81,816

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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily measured at fair value through profit or loss – current:			
Foreign currency forward contracts	-	2,173	11,050
Foreign exchange contracts	6,943	6,523	4,056
	\$ 6,943	8,696	15,106
Financial liabilities held for trading – current:			
Foreign currency forward contracts	\$ (8,165)	(1,991)	(2,062)

Refer to note 6 (23) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(a) 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

June 30, 2020

Contract amount	Contract item	Maturity date
(in thousands)		
RMB 14,168	Sell RMB / Buy USD	July 10, 2020
USD 41,000	Sell USD / Buy JPY	July 22, 2020 – September 24, 2020
USD 6,000	Sell USD / Buy NTD	July 24, 2020

December 31, 2019

Contract amount	Contract item	Maturity date
(in thousands)		
USD 1,000	Sell USD / Buy RMB	January 10, 2020
USD 33,000	Sell USD / Buy JPY	January 22, 2020 – March 24, 2020
USD 9,000	Sell USD / Buy NTD	January 14, 2020– January 22, 2020

June 30, 2019

Contract amount	Contract item	Maturity date
(in thousands)		
USD 2,000	Sell USD / Buy RMB	July 12, 2019
USD 36,000	Sell USD / Buy JPY	July 24, 2019 – September 24, 2019
USD 6,000	Sell USD / Buy NTD	July 24, 2019

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2) Foreign exchange contracts

June 30, 2020		
Contract amount	Contract item	Maturity date
(in thousands)		
USD 40,000	Sell USD / Buy NTD	July 31, 2020

December 31, 2019		
Contract amount	Contract item	Maturity date
(in thousands)		
USD 43,000	Sell USD / Buy NTD	January 31, 2020

March 31, 2019		
Contract amount	Contract item	Maturity date
(in thousands)		
USD 43,000	Sell USD / Buy NTD	July 31, 2019

(3) Financial assets measured at fair value through other comprehensive income

Equity instruments measured at fair value through other comprehensive profit or loss:

	June 30, 2020	December 31, 2019	June 30, 2019
Domestic stock company shares	\$ 91,200	101,232	-
Non-listed stock of company	1,500	-	-
	\$ 92,700	101,232	-
Current	\$ 91,200	101,032	-
Noncurrent	1,500	-	-
	\$ 92,700	101,032	-

The equity investment

held by the company is a strategic investment and is not held for trading purposes, so it is measured at fair value through other comprehensive profit or loss.

The Company did not dispose of strategic investments in the period between January 1, 2020 to June 30, 2020. The accumulated benefits and losses during this period have not been transferred in equity.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Notes and accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 24,606	20,977	26,840
Accounts receivable	1,923,541	1,764,333	2,016,241
Less: loss allowance	(22,818)	(23,359)	(24,596)
	1,925,329	1,761,951	2,018,485
Accounts receivable from related parties	87,621	69,628	26,914
	\$ 2,012,950	1,831,579	2,045,399

I. 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 June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:

	June 30, 2020		
	Carrying amount of accounts and note receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,011,957	0.02%	409
Past due 31~90 days	1,403	0.071%	1
Past due over 91 days	22,408	100%	22,408
	\$ 2,035,768		22,818

	December 31, 2019		
	Carrying amount of accounts and note receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 1,831,586	0.014%	258
Past due 1~30 days	138	10.14%	14
Past due 31~90 days	219	42.01%	92
Past due over 91 days	22,995	100%	22,995
	\$ 1,854,938		23,359

	June 30, 2019		
	Carrying amount of accounts and note receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,045,761	0.0256%	524
Past due 31~90 days	276	41.30%	114
Past due over 91 days	23,958	100%	23,958
	\$ 2,069,995		24,596

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2020	2019
Balance at the beginning of the period	\$ 23,359	24,773
Impairment Loss (Gain on reversal)	72	(401)
Gain and Loss of foreign exchange	(613)	224
Balance at the end of the period	\$ 22,818	24,596

3. The Company signed a contract with the financial institution to sell certain accounts receivable without recourse. According to the contract, the Company does not have to bear the uncollectable risk, only needs to bear the losses caused by commercial disputes. It will be converted into other receivables after derecognition. Therefore, the contract met the condition of financial asset derecognition, details of the contract were as follows:

June 30, 2020

<u>Underwriting bank</u>	<u>Factored amount</u>	<u>Amount of advance available</u>	<u>Advance amount</u>	<u>Amount of transferred other account receivable (Note 6(5))</u>	<u>Range of interest rates</u>	<u>Other important matters</u>
Taipei Fubon Commercial Bank	\$ 315,215	-	283,639	31,576	0.96%	None
Yushan Commercial Bank	<u>126,186</u>	<u>-</u>	<u>113,538</u>	<u>12,648</u>	1.10%~2.28%	None
	<u>\$ 441,401</u>	<u>-</u>	<u>397,177</u>	<u>44,224</u>		

December 31, 2019

<u>Underwriting bank</u>	<u>Factored amount</u>	<u>Amount of advance available</u>	<u>Advance amount</u>	<u>Amount of transferred other account receivable (Note 6(5))</u>	<u>Range of interest rates</u>	<u>Other important matters</u>
Taipei Fubon Commercial Bank	\$ 336,546	-	269,237	67,309	2.85%~2.98%	None
Yushan Commercial Bank	<u>81,568</u>	<u>-</u>	<u>73,411</u>	<u>8,157</u>	2.36%	None
	<u>\$ 418,114</u>	<u>-</u>	<u>342,648</u>	<u>75,466</u>		

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019

<u>Underwriting bank</u>	<u>Factored amount</u>	<u>Amount of advance available</u>	<u>Advance amount</u>	<u>Amount of transferred other account receivable (Note 6(5))</u>	<u>Range of interest rates</u>	<u>Other important matters</u>
Taipei Fubon Commercial Bank	\$ 197,408	-	157,926	39,482	3.34%	None

Refer to Note 7 for the information of accounts receivable factoring of related parties which met the condition of derecognition.

(5) Other accounts receivable

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Other accounts receivable – factored accounts receivable, net of advance (Note 6(4)&7)	\$ 194,529	226,576	221,179
Other accounts receivable- other	2,284	1,928	5,209
Other accounts receivable- related parties	28,428	164	2,345
	225,241	228,668	228,733
Less: loss allowance	-	-	-
	<u>\$ 225,241</u>	<u>228,668</u>	<u>228,733</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, no expected credit impairment for other accounts receivable based on the Company's assessment

(6) Inventories

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Raw materials	\$ 828,823	742,877	749,993
Work in process	628,904	672,761	608,203
Finished goods	546,349	547,879	505,268
	<u>\$ 2,004,076</u>	<u>1,963,517</u>	<u>1,863,464</u>

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

	<u>Three Months Ended June30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Inventories sold	\$ 3,175,853	3,051,530	6,056,286	5,904,147
Allowance for inventories written down to net realizable value	(1,131)	(46,432)	53,441	(51,193)
	<u>\$ 3,174,722</u>	<u>3,005,098</u>	<u>6,109,727</u>	<u>5,852,954</u>

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The loss on inventory valuation is caused by the inventory written off to net realizable value. The amounts of inventories due to sales of obsolete inventories or arising market price that were charged to gain from price recovering of inventory will cause decreases in the allowance for inventories.

(7) Investments accounted by equity method

	June 30, 2020 (Not audited)	December 31, 2019	June 30, 2019 (Not audited)
Joint ventures	\$ 190,389	201,712	161,179

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Joint ventures	\$ 11,144	8,999	21,497	13,844

(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:

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amount of joint ventures not individually material to The Company – end of period	\$ 190,389	201,712	161,179

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
The Company's share of:				
Net income	\$ 11,144	8,999	21,497	13,844
Other comprehensive income	(2,211)	(182)	(10,670)	2,942
Total comprehensive income	\$ 8,933	8,817	10,827	16,786

(b) Investments accounted by equity method not reviewed

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Changes in equity of subsidiaries

The Company acquired additional ordinary shares of SMS with cash of \$38,889 thousand. As a result, the percentage of ownership in SMS was increased to 96.00% in the second quarter of 2019. 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 held by the shareholders dissenting (as of June 30, 2020, cash of \$20,725 thousand was paid, the residual amount of \$1,670 thousand recognized in other accounts payable) on the share exchange transaction on June 17, 2019. As a result, BenQ acquired 100% shareholdings of SMS.

(9) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other</u>	<u>Total</u>
Cost:					
Balance at January 1, 2020	\$ 1,477,219	3,115,137	5,780,134	2,115,547	12,488,037
Additions	-	940	37,496	215,880	254,316
Disposals	-	(292)	(37,985)	(4,942)	(43,219)
Reclassification and effect of exchange rate changes	-	53,030	26,733	(147,469)	(67,706)
Balance at June 30, 2020	<u>\$ 1,477,219</u>	<u>3,168,815</u>	<u>5,806,378</u>	<u>2,179,016</u>	<u>12,631,428</u>
Balance at January 1, 2019	<u>\$ 1,477,219</u>	<u>3,128,759</u>	<u>5,594,506</u>	<u>1,882,875</u>	<u>12,083,359</u>
Additions	-	1,461	42,612	155,757	199,830
Disposals	-	-	(33,180)	(19,876)	(53,056)
Reclassification and effect of exchange rate changes	-	12,911	125,527	(125,189)	13,249
Balance at June 30, 2019	<u>\$ 1,477,219</u>	<u>3,143,131</u>	<u>5,729,465</u>	<u>1,893,567</u>	<u>12,243,382</u>
Accumulated depreciation:					
Balance at January 1, 2020	\$ -	1,771,061	4,828,067	1,531,636	8,130,764
Depreciation	-	61,510	104,514	70,407	236,431
Disposals	-	(292)	(37,984)	(4,909)	(43,185)
Reclassification and effect of exchange rate changes	-	(15,839)	(1,967)	(3,198)	(17,070)
Balance at June 30, 2020	<u>\$ -</u>	<u>1,816,440</u>	<u>4,896,564</u>	<u>1,593,936</u>	<u>8,306,940</u>
Balance at January 1, 2019	<u>\$ -</u>	<u>1,672,239</u>	<u>4,659,081</u>	<u>1,420,306</u>	<u>7,751,626</u>
Depreciation	-	60,328	119,498	69,687	249,513
Disposals	-	-	(33,181)	(19,165)	(52,346)
Reclassification and effect of exchange rate changes	-	4,996	4,233	1,117	10,346
Balance at June 30, 2019	<u>\$ -</u>	<u>1,737,563</u>	<u>4,749,631</u>	<u>1,471,945</u>	<u>7,959,139</u>
Carrying amount:					
January 1, 2020	<u>\$ 1,477,219</u>	<u>1,344,076</u>	<u>952,067</u>	<u>583,911</u>	<u>4,357,273</u>
June 30, 2020	<u>\$ 1,477,219</u>	<u>1,352,375</u>	<u>909,814</u>	<u>585,080</u>	<u>4,324,488</u>
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>
June 30, 2019	<u>\$ 1,477,219</u>	<u>1,405,568</u>	<u>979,834</u>	<u>421,622</u>	<u>4,284,243</u>

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

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(10) 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, 2020	\$ 62,883	465,035	527,918
Additions	-	787	787
Disposals	-	(40,165)	(40,165)
Effect of exchange rate changes	(1,808)	-	(1,808)
Balance at June 30, 2020	<u>\$ 61,075</u>	<u>425,657</u>	<u>486,732</u>
Balance at January 1, 2019	\$ 65,183	454,371	519,554
Additions	-	10,664	10,664
Effect of exchange rate changes	635	-	635
Balance at June 30, 2019	<u>\$ 65,818</u>	<u>465,035</u>	<u>530,853</u>
Accumulated depreciation - right-of-use assets:			
Balance at January 1, 2020	\$ 12,356	208,990	221,346
Depreciation	636	42,739	43,375
Disposals	-	(40,165)	(40,165)
Effect of exchange rate changes	(368)	-	(368)
Balance at June 30, 2020	<u>\$ 12,624</u>	<u>211,564</u>	<u>224,188</u>
Balance at January 1, 2019	\$ 11,478	112,782	124,260
Depreciation	677	47,657	48,334
Effect of exchange rate changes	106	-	106
Balance at June 30, 2019	<u>\$ 12,261</u>	<u>160,439</u>	<u>172,700</u>
Carrying amount:			
January 1, 2020	<u>\$ 50,527</u>	<u>256,045</u>	<u>306,572</u>
June 30, 2020	<u>\$ 48,451</u>	<u>214,093</u>	<u>262,544</u>
January 1, 2019	<u>\$ 53,705</u>	<u>341,589</u>	<u>395,294</u>
June 30, 2019	<u>\$ 53,557</u>	<u>304,596</u>	<u>358,153</u>

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(11) Investment property

	<u>Buildings</u>	<u>Land use right</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 877,685	67,209	944,894
Effect of exchange rate changes	(25,215)	(1,931)	(27,146)
Balance at June 30, 2020	<u>\$ 852,470</u>	<u>65,278</u>	<u>917,748</u>
Balance at January 1, 2019	\$ 909,777	69,667	979,444
Effect of exchange rate changes	8,882	680	9,562
Balance at June 30, 2019	<u>\$ 918,659</u>	<u>70,347</u>	<u>989,006</u>
Depreciation:			
Balance at January 1, 2020	\$ 442,272	18,658	460,930
Depreciation	18,930	686	19,616
Effect of exchange rate changes	(13,089)	(550)	(13,639)
Balance at June 30, 2020	<u>\$ 448,113</u>	<u>18,794</u>	<u>466,907</u>
Balance at January 1, 2019	\$ 416,397	17,908	434,305
Depreciation	21,384	729	22,113
Effect of exchange rate changes	3,910	169	4,079
Balance at June 30, 2019	<u>\$ 441,691</u>	<u>18,806</u>	<u>460,497</u>
Carrying amount:			
January 1, 2020	<u>\$ 435,413</u>	<u>48,551</u>	<u>483,964</u>
June 30, 2020	<u>\$ 404,357</u>	<u>46,484</u>	<u>450,841</u>
January 1, 2019	<u>\$ 493,380</u>	<u>51,759</u>	<u>545,139</u>
June 30, 2019	<u>\$ 476,968</u>	<u>51,541</u>	<u>528,509</u>

The fair value of the Company's investment property was not materially different from those disclosed in Note 6(11) of the consolidated financial statements for the year ended December 31, 2019.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) Intangible assets

	<u>Patents</u>	<u>Software purchased outside</u>	<u>Other</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 50,034	187,279	1,488	238,801
Additions	-	14,088	-	14,088
Reclassification and effect of exchange rate changes	(741)	(56)	(28)	(825)
Balance at June 30, 2020	<u>\$ 49,293</u>	<u>201,311</u>	<u>1,460</u>	<u>252,064</u>
Balance at January 1, 2019	\$ 51,046	152,669	8,525	212,240
Additions	-	6,894	-	6,894
Less for the period (Note)	-	-	(7,002)	(7,002)
Reclassification and effect of exchange rate changes	573	15	11	599
Balance at June 30, 2019	<u>\$ 51,619</u>	<u>159,578</u>	<u>1,534</u>	<u>212,731</u>
Amortization:				
Balance at January 1, 2020	\$ 28,903	164,352	968	194,223
Amortization	3,847	16,081	149	20,077
Reclassification and effect of exchange rate changes	(479)	(49)	(20)	(548)
Balance at June 30, 2020	<u>\$ 32,271</u>	<u>180,384</u>	<u>1,097</u>	<u>213,752</u>
Balance at January 1, 2019	\$ 21,624	141,533	4,420	167,577
Amortization	3,950	6,962	(1,828)	9,084
Less for the period (Note)	-	-	(1,752)	(1,752)
Reclassification and effect of exchange rate changes	269	12	4	285
Balance at June 30, 2019	<u>\$ 25,843</u>	<u>148,507</u>	<u>844</u>	<u>175,194</u>
Carrying amount:				
Balance at January 1, 2020	<u>\$ 21,131</u>	<u>22,927</u>	<u>520</u>	<u>44,578</u>
Balance at June 30, 2020	<u>\$ 17,022</u>	<u>20,927</u>	<u>363</u>	<u>38,312</u>
Balance at January 1, 2019	<u>\$ 29,422</u>	<u>11,136</u>	<u>4,105</u>	<u>44,663</u>
Balance at June 30, 2019	<u>\$ 25,776</u>	<u>11,071</u>	<u>690</u>	<u>37,537</u>

Note: The relevant other accounts payable is written off.

(13) Short-term borrowings

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unsecured borrowings	\$ 50,979	56,800	76,764
Unused credit facility	\$ 8,388,463	8,844,183	8,055,548
Interest rate	1.19%~3.9%	1.44%~1.60%	1.44%~3.17%

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Long-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Borrowings without collateral	\$ 810,250	-	
Collateral borrowings	1,100,000	1,993,000	1,639,207
Less: current portion of long-term debt	-	-	(22,278)
Total	\$ 1,910,250	1,993,000	1,616,929
Unused credit facility	\$ 3,106,750	1,407,000	1,800,000
Maturity year	2021~2030	2020~2023	2020~2023
Interest rate	1.25%~1.3%	1.43%~1.79%	1.43%~1.5%

(a) Borrowings and repayments

For the six months ended June 30, 2020 and 2019, the Company's borrow amount of long-term loan was \$4,610,250 thousand and \$5,400,000 thousand. For the six months ended June 30, 2020 and 2019, the Company's repayment amount of long-term loan principal was \$4,693,000 thousand and \$5,811,014 thousand.

(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) Low interest loan from government

The company has obtained the non-collateral low interest loan - Loans for Returning Overseas Taiwanese Businesses in early 2020. It was recognized and measured by the market rate.

(d) 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, 2019 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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current:			
Related parties	\$ 81,485	80,467	75,243
Non-related parties	\$ 2,869	3,252	9,693
Non-current:			
Related parties	\$ 137,173	181,602	225,997
Non-related parties	\$ 6,283	7,567	9,152

Refer to note 6 (24) for the maturity analysis of lease liabilities.

Amounts recognized in profit and loss:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Expense of short-term lease	\$ 257	742	584	1,139
Interest expense of lease liabilities	\$ 1,121	1,494	2,344	3,067

Amounts recognized in cash flows:

	<u>Six months ended June 30, 2020</u>	<u>Six months ended June 30, 2019</u>
Total cash outflow of lease	\$ 48,793	56,270

(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) Operating lease

There was no significant addition in the Company's operating lease contracts for the six months ended June 30, 2020 and 2019. Refer to Note 6(18) for the consolidated financial statements for the year ended December 31, 2019 for the details.

(17) Employee benefits

(a) Defined benefit plans

Subsequent to December 31, 2019, 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, 2019 and 2018.

The expenses recognized were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating costs	\$ 18	66	7	131
Operating expenses	5	20	12	40
	\$ 23	86	19	171

(b) Defined contribution plans

Pension expenses under contribution rate of defined pension:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating costs	\$ 8,813	11,470	18,420	22,873
Operating expenses	5,639	6,264	11,598	12,474
	\$ 14,452	17,734	30,018	35,347

(18) Income taxes

(a) Income tax expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Current year	\$ 24,153	30,436	36,109	52,645

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) For the six months ended June 30, 2020 and 2019, the Company have no income taxes recognized directly in equity or other comprehensive income.

(c) The tax authorities have completed the examination of income tax filling of BenQ through 2017.

(19) Capital and other equity

(a) Common stock

As of June 30, 2020, December 31, 2019 and June 30, 2019, 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

	June 30, 2020	December 31, 2019	June 30, 2019
Changes in equity of associates accounted for using equity method	\$ 11,423	5,618	5,618

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 the case of the above-mentioned earnings distribution, if cash dividends are used, the board of directors is authorized to make a resolution and report to the shareholders meeting.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

(a) Legal reserve

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.

(b) Special reserve

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.

(c) Disposition of net income

The appropriation of 2019 and 2018 earnings were approved by the Shareholders' meeting on June 18, 2020, and June 19, 2019, respectively shares were as follows;

	2019		2018	
	Dividend per share (TWD)	Amount	Dividend per share (TWD)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 0.50	160,337	0.60	192,405

Please check Market Observation Post System (MOPS) for For more information.

BENQ MATERIALS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Other equity, net of tax

	Exchange differences on translation of foreign financial statements	Remeas- urement of defined benefit plans	Unrealized gains (losses) from financial assets measured at fair value through OCI	Total
Balance at January 1, 2020	\$ (36,865)	(19,863)	22,832	(33,896)
Exchange differences on translation of foreign financial statements:				
Consolidated company	(44,526)	-	-	(44,526)
Joint venture	(10,670)	-	-	(10,670)
Unrealized gains (losses) from financial assets measured at fair value through OCI	-	-	(10,032)	(10,032)
Balance at June 30, 2020	<u>\$ (92,061)</u>	<u>(19,863)</u>	<u>12,800</u>	<u>(99,124)</u>
Balance at January 1, 2019	\$ 21,284	(16,004)	-	5,280
Exchange differences on translation of foreign financial statements:				
Consolidated company	17,243	-	-	17,243
Joint venture	2,942	-	-	2,942
Balance at June 30, 2019	<u>\$ 41,469</u>	<u>(16,004)</u>	<u>-</u>	<u>25,465</u>

(e) Non-controlling interests, net of tax

	Six Months Ended June 30,	
	2020	2019
Balance at the beginning for the period	\$ -	58,152
Adjustment by adopting new standard	-	(117)
Restated balance at the beginning for the period	-	58,035
Equity attributable to non-controlling interests:		
Net loss	-	(384)
Changes in equities of subsidiaries	-	(57,740)
Exchange differences on translation of foreign financial statements	-	89
	<u>\$ -</u>	<u>-</u>

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(20) Earnings per share

(a) Basic earnings per share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Profit attributable to shareholders of the company	\$ 76,905	86,674	109,471	156,815
Weighted-average number of ordinary shares outstanding (in thousands)	320,675	320,675	320,675	320,675
Basic earnings per share (in dollars)	\$ 0.24	0.27	0.34	0.49

(b) Diluted earnings per share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Profit attributable to shareholders of the company	\$ 76,905	86,674	109,471	156,815
Weighted-average number of ordinary shares outstanding (in thousands)	320,675	320,675	320,675	320,675
Effect of dilutive potential common stock (in thousands):				
Employee bonuses	834	919	1,394	1570
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	321,509	321,594	322,069	322,245
Diluted earnings per share (in dollars)	\$ 0.24	0.27	0.34	0.49

(21) Revenue from contracts with customers

(a) Disaggregation of revenue

	Three Months Ended June 30, 2020		
	Optoelectronics	Others	Total
Primary geographical market:			
China	\$ 2,342,211	177,436	2,519,647
Taiwan	973,551	108,391	1,081,942
Other countries	57,473	61,651	119,124
	\$ 3,373,235	347,478	3,720,713
Major products/services:			
Optoelectronics	\$ 3,373,235	-	3,373,235
Others	-	347,478	347,478
	\$ 3,373,235	347,478	3,720,713

	Three Months Ended June 30, 2019		
	Optoelectronics	Others	Total
Primary geographical market:			
China	\$ 2,144,870	158,452	2,303,322
Taiwan	1,125,300	115,183	1,240,483
Other countries	26,901	88,516	115,417
	\$ 3,297,071	362,151	3,659,222
Major products/services:			
Optoelectronics	\$ 3,297,071	-	3,297,071
Others	-	362,151	362,151
	\$ 3,297,071	362,151	3,659,222

	Six Months Ended June 30, 2020		
	Optoelectronics	Others	Total
Primary geographical market:			
China	\$ 4,378,991	303,920	4,682,911
Taiwan	2,022,030	225,838	2,247,868
Other countries	98,151	135,389	233,540
	\$ 6,499,172	665,147	7,164,319
Major products/services:			
Optoelectronics	\$ 6,499,172	-	6,499,172
Others	-	665,147	665,147
	\$ 6,499,172	665,147	7,164,319

	Six Months Ended June 30, 2019		
	Optoelectronics	Others	Total
Primary geographical market:			
China	\$ 3,923,544	281,426	4,204,970
Taiwan	2,377,913	263,423	2,641,336
Other countries	47,558	157,169	204,727
	\$ 6,349,015	702,018	7,051,033
Major products/services:			
Optoelectronics	\$ 6,349,015	-	6,349,015
Others	-	702,018	702,018
	\$ 6,349,015	702,018	7,051,033

(b) Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivable (including related parties)	\$ 2,035,768	1,854,938	2,069,995
Less: loss allowance	(22,818)	(23,359)	(24,596)
Total	\$ 2,012,950	1,831,579	2,045,399

Refer to Note 6(4) for disclosure of decrease in accounts receivable.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22) Remuneration to employees and directors

According to BenQ's Articles of Incorporation, BenQ should distribute remuneration to employees from 5% to 20% and no more than 1% to directors 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 June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, BenQ accrued the remuneration to employees amounting to \$10,760 thousand, \$12,302 thousand, \$15,379 thousand and \$22,243 thousand, respectively, remuneration to directors amounting to \$807 thousand, \$948 thousand, \$1,153 thousand and \$1,668 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 2019 and 2018, in the amounting to \$36,035 thousand and \$40,742 thousand, respectively, remuneration to directors amounting to \$2,703 thousand and \$3,056 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.

(23) Non-operating income and expenses

(a) Interest Income

	Three Months Ended June		Six Months Ended June	
	30,		30,	
	2020	2019	2020	2019
Interest income on bank deposits	\$ 271	534	523	676

(b) Other Income

	Three Months Ended June		Six Months Ended June	
	30,		30,	
	2020	2019	2020	2019
Government grants income	\$ 434	264	1,318	1,070

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Other gains and losses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gains on disposals of property, plant and equipment	\$ 30	-	(30)	270
Foreign exchange gains (losses), net	(10,272)	(50,273)	(27,784)	(48,414)
Gains (losses) on valuation of financial instruments at FVTPL, net	(9,783)	(12,993)	(4,781)	(36,937)
Others	5,274	4,059	7,709	5,502
	\$ 4,755	(59,207)	(24,886)	79,579

(d) Finance costs

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest expense on bank borrowings	\$ (14,163)	(17,550)	(33,096)	(35,808)
Lease liabilities	(1,121)	(1,494)	(2,344)	(3,067)
	\$ (15,284)	(19,044)	(35,440)	(38,875)

(24) 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(26)(27) of the consolidated financial statements for the year ended December 31, 2019.

(a) Categories of financial instruments

1) Financial assets

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at fair value through profit or loss:			
Foreign exchange forward contract	\$ -	2,173	11,050
Currency swap contract	6,943	6,523	4,056
Subtotal	6,943	8,696	15,106
Financial assets at fair value through profit or loss:	92,700	101,232	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	149,074	196,254	81,816
Notes and accounts receivable and other receivables (including related parties)	2,238,191	2,060,247	2,274,132
Other financial assets - current	4,981	4,639	5,721
Refundable deposits	13,953	17,202	18,146
Subtotal	2,406,199	2,278,342	2,379,815
Total	\$ 2,505,842	2,388,270	2,394,921

BENQ MATERIALS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Financial liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Financial liabilities at fair value through profit or loss:			
Foreign exchange forward contract	\$ 8,165	1,991	2,062
Subtotal	<u>8,165</u>	<u>1,991</u>	<u>2,062</u>
Financial liabilities measured at amortized cost:			
Short-term borrowings	50,979	56,800	76,764
Notes and accounts payable and other payables (including related parties)	4,101,109	3,715,910	3,995,277
Long-term debt (including current portion)	1,910,250	1,993,000	1,639,207
Lease liabilities (including related parties)	227,810	272,888	320,085
Guarantee deposit received	18,702	22,556	20,535
Subtotal	<u>6,308,850</u>	<u>6,061,154</u>	<u>6,051,868</u>
Total	<u><u>\$ 6,317,015</u></u>	<u><u>6,063,145</u></u>	<u><u>6,053,930</u></u>

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficult 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 June 30, 2020, December 31 and June 30, 2019, the Company had unused credit facilities of \$11,495,213 thousand, \$10,251,183 thousand and \$9,855,548 thousand, respectively.

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

	Contractual cash flows	Within 6 months	6-12 months	1-5 years	More than 5 years
June 30, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 51,378	42,872	8,506	-	-
Accounts payable (including related parties)	2,971,095	2,971,095	-	-	-
Other payables (including related parties)	1,130,014	1,130,014	-	-	-
Long-term debt (floating rate)	1,984,266	10,086	9,956	1,552,536	411,688
Lease liabilities (including related parties)	233,393	40,019	47,798	145,576	-
Guarantee deposit received	18,702	1,989	852	15,530	331
	<u><u>\$ 6,388,848</u></u>	<u><u>4,196,075</u></u>	<u><u>67,112</u></u>	<u><u>1,713,642</u></u>	<u><u>412,019</u></u>
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	\$ (1,445,227)	(1,445,227)	-	-	-
Outflow	1,453,392	1,453,392	-	-	-
Currency swap contracts – net	(6,943)	(6,943)	-	-	-
	<u><u>\$ 1,222</u></u>	<u><u>1,222</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></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>
December 31, 2019					
Non-derivative financial liabilities					
Short-term borrowings	\$ 56,849	56,849	-	-	-
Accounts payable (including related parties)	2,592,348	2,591,783	565	-	-
Other payables (including related parties)	1,123,562	1,123,562	-	-	-
Long-term debt (floating rate)	2,090,222	14,785	14,706	2,060,731	-
Lease liabilities (including related parties)	280,800	40,081	47,913	192,806	-
Guarantee deposit received	22,556	2,992	3,529	15,756	279
	<u>\$ 6,166,337</u>	<u>3,830,052</u>	<u>66,713</u>	<u>2,269,293</u>	<u>279</u>
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	\$ (1,291,763)	(1,291,763)	-	-	-
Outflow	1,291,581	1,291,581	-	-	-
Currency swap contracts – net	(6,523)	(6,523)	-	-	-
	<u>\$ (6,705)</u>	<u>(6,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2019					
Non-derivative financial liabilities					
Short-term borrowings	\$ 76,804	76,804	-	-	-
Accounts payable (including related parties)	2,757,001	2,757,001	-	-	-
Other payables (including related parties)	1,238,276	1,238,276	-	-	-
Long-term debt (including current portion) (floating rate)	1,715,669	15,689	22,782	1,677,198	-
Lease liabilities (including related parties)	330,749	41,855	48,175	240,719	-
Guarantee deposit received	20,535	3,752	1,606	14,887	290
	<u>\$ 6,139,034</u>	<u>4,133,377</u>	<u>72,563</u>	<u>1,932,804</u>	<u>290</u>
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	\$ (1,371,118)	(1,371,118)	-	-	-
Outflow	1,362,130	1,362,130	-	-	-
Currency swap contracts – net	(4,056)	(4,056)	-	-	-
	<u>\$ 13,044</u>	<u>13,044</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):

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2020

	<u>Foreign currency</u> <small>(in thousands)</small>	<u>Exchange rate</u>	<u>TWD</u> <small>(in thousands)</small>	<u>Change in magnitude</u>	<u>Effect on profit or loss</u> <small>(in thousands)</small>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 77,159	29.660	2,288,536	1%	22,885
JPY	69,712	0.2755	19,206	1%	192
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	36,274	29.660	1,075,887	1%	10,759
JPY	6,525,171	0.2755	1,797,685	1%	17,977

December 31, 2019

	<u>Foreign currency</u> <small>(in thousands)</small>	<u>Exchange rate</u>	<u>TWD</u> <small>(in thousands)</small>	<u>Change in magnitude</u>	<u>Effect on profit or loss</u> <small>(in thousands)</small>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 68,255	30.106	2,054,885	1%	20,549
JPY	47,920	0.2771	13,279	1%	133
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	33,556	30.106	1,010,237	1%	10,102
JPY	5,218,153	0.2771	1,445,950	1%	14,460

June 30, 2019

	<u>Foreign currency</u> <small>(in thousands)</small>	<u>Exchange rate</u>	<u>TWD</u> <small>(in thousands)</small>	<u>Change in magnitude</u>	<u>Effect on profit or loss</u> <small>(in thousands)</small>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 71,426	31.060	2,218,492	1%	22,185
JPY	30,596	0.2885	8,827	1%	88
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	30,935	31.060	960,841	1%	9,608
JPY	6,741,032	0.2885	1,944,788	1%	19,448

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 June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, were \$(10,272) thousand, \$(50,273) thousand, \$(27,784) thousand and \$(48,414)thousand, respectively.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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).
- 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).

	June 30, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Currency swap contract	\$ 6,943	-	6,943	-	6,943
Financial assets at FVTPL:					
Domestic stocks company shares	\$ 91,200	-	91,200	-	91,200
Non-listed stock	1,500	-	-	1,500	1,500
	\$ 92,700	-	91,200	1,500	92,700
Financial liabilities at FVTPL:					
Foreign exchange forward contract	\$ (8,165)	-	(8,165)	-	(8,165)

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		December 31, 2019			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	\$ 2,173	-	2,173	-	2,173
Currency swap contract	6,523	-	6,523	-	6,523
	\$ 8,696	-	8,696	-	8,696
Financial assets at FVTPL:					
Domestic stocks company shares	\$ 101,232	-	101,232	-	101,232
	\$ (1,991)	-	(1,991)	-	(1,991)
Financial liabilities at FVTPL:					
Foreign exchange forward contract	\$ (1,991)	-	(1,991)	-	(1,991)
	\$ (1,991)	-	(1,991)	-	(1,991)

		June 30, 2019			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward Contract	\$ 11,050	-	11,050	-	11,050
Currency swap contract	4,056	-	4,056	-	4,056
	\$ 15,106	-	15,106	-	15,106
Financial liabilities at FVTPL:					
Foreign exchange forward contract	\$ (2,062)	-	(2,062)	-	(2,062)
	\$ (2,062)	-	(2,062)	-	(2,062)

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

1) Non-derivative financial instruments

Financial instruments are publicly offered at the active market, the price quoted would be thought the fair value by the market.

Obtained the publicly offer of financial instruments from the exchange, the broker, the underwriter, the trade unions, the fixed price institution and the supervisory division in time and conventionally as well as the price was real represented and occurred for transactor at fair market, the financial instrument could be offered publicly. As above conditions were uncompleted, the market was regarded as inactive.

Company of holding on the domestic listed stock evaluated the fair value by the averaged price at the merging stock company on that day.

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 six months ended June 30, 2020 and 2019.

(g) Level3 sheet of changes

Financial assets measured at fair value through other comprehensive profit and loss:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Beginning balances	\$ -	-	-	-
Purchase	1,500	-	1500	-
Recognized other comprehensive profit and loss	-	-	-	-
Ending balances	<u>\$ 1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>

(25) 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(27) of the consolidated financial statements for the year ended December 31, 2019.

(26) 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, 2019. Refer to note 6(28) for the consolidated financial statements for the year ended December 31, 2019 for the relevant information.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(27) Non-cash transactions of investments and financing activities

(a) Refer to Note 6(10) for The Company acquired the right-of-use assets by lease for the six months ended June 30, 2020 and 2019.

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

	January 1, 2020	Cash flows	Changes in non-cash Lease adjustment	June 30, 2020
Short-term borrowings	\$ 56,800	(5,821)	-	50,979
Long-term borrowings	1,993,000	(82,750)	-	1,910,250
Guarantee deposit received	22,556	(3,854)	-	18,702
Lease liabilities (including related parties)	272,888	(45,865)	787	227,810
Total liabilities from financing activities	<u>\$ 2,345,244</u>	<u>(138,290)</u>	<u>787</u>	<u>2,207,741</u>
			Changes in non-cash Lease adjustment	
	January 1, 2019	Cash flows	Lease adjustment	June 30, 2019
Short-term borrowings	\$ 50,000	26,764	-	76,764
Long-term borrowings (including current portion)	2,050,221	(411,014)	-	1,639,207
Guarantee deposit received	23,203	(2,668)	-	20,535
Lease liabilities (including related parties)	361,485	(52,064)	10,664	320,085
Total liabilities from financing activities	<u>\$ 2,484,909</u>	<u>(438,982)</u>	<u>10,664</u>	<u>2,056,591</u>

7. Related-party Transactions

(I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
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
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
Edge Tech (Suzhou) Crop	Subsidiary of AU
U-Fresh Tech (Suzhou) Inc.	Subsidiary of AU
Lextar Electronics Corporation	Joint venture of AU
Daxin-Design House for Chemical Materials	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 Asia Pacific India 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
The ICT Solution Provider	Subsidiary of Qisda
Expert Alliance (Subsidiary of Qisda)	Subsidiary of Qisda
ACE PILLAR Co., Ltd.	Subsidiary of Qisda
Data Image Corp.	Subsidiary of Qisda
AEWIN Technologies Co., Ltd.	Subsidiary of Qisda

BENQ MATERIALS CORP. AND SUBSIDIARIES
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(2) The Company's significant related party transactions

(a) Operating income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Other related parties:				
AU	\$ 877,913	1,024,967	1,874,193	2,211,847
AUS	279,162	290,288	597,730	625,069
AUX	175,738	251,265	307,349	458,752
Others	3,168	1,911	4,844	9,512
Joint ventures	16,778	13,723	34,195	23,916
Parent	-	9	57	9
	\$ 1,352,759	1,582,163	2,818,368	3,329,105

The sales prices of the transactions with 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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Joint ventures	\$ 76,848	78,331	103,328	126,816
Other related parties	25	402	25	457
	\$76,873	78,733	103,353	127,273

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:

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Related-party categories	Account	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Parent	Intangible assets	\$ -	-	1,535	1,031
Other related parties	Equipment	-	-	-	672
Other related parties	Intangible assets	-	-	3,453	-
		<u>\$ -</u>	<u>-</u>	<u>4,988</u>	<u>1,703</u>

(d) Lease

The Company rent and pay for the plants and offices from AU every month, which is referred to neighboring areas for the rental. Interest expense for the three months ended June 30, 2020, and 2019, and for the six months ended June 30, amounted to \$1,078 thousand, 1,437 thousand, 2,254 thousand and \$2,956 thousand. As of June 30, 2020, December 31, 2019 and June 30, 2019, the lease liabilities amounted to \$218,658 thousand, \$262,069 thousand and \$301,240 thousand.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Other related parties	<u>\$ 412</u>	<u>301</u>	<u>831</u>	<u>708</u>

(e) Dividend

As of June 30, 2020 and 2019, the cash dividends classified under other receivables due from joint ventures, amounted to 27,955 thousand, and 1,997 thousand. There were no cash dividends as of December 31, 2019.

The Company's appropriations earnings for 2019 and 2018 had been approved in the shareholders meeting held on June 18, 2020 and June 19, 2019, respectively. The Company's dividends payable of related parties (recognized in dividends payable) are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Parent	\$ 21,830	-	26,196
Other related parties	48,015	-	57,618
	<u>\$ 69,845</u>	<u>-</u>	<u>83,814</u>

(f) Accounts receivable – related parties

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

Account	Related-party categories	June 30, 2020	December 31, 2019	June 30, 2019
Net accounts receivable – related parties	Other related Parties – AU	\$ 23,080	13,217	1,611
	Other related Parties - AUX	7,493	26,818	9
	Other related Parties - AUS	33,088	10,893	5,968
	Other related Parties - others	3,689	3,349	5,064
	Joint ventures	20,271	15,351	14,252
	Parent	-	-	10
	Sub Total	<u>87,621</u>	<u>69,628</u>	<u>26,914</u>
Other receivables – related parties	Other related parties	473	159	209
	Joint ventures	27,955	5	2,136
	Sub Total	<u>28,428</u>	<u>164</u>	<u>2,345</u>
	Total	<u>\$ 116,049</u>	<u>69,792</u>	<u>29,259</u>

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:

June 30, 2020						
Underwriting bank	Factored amount	Amount of advance available	Advance amount	Amount transferred to other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	\$ 964,093	-	867,672	96,421	1.05%~1.10%	Promissory note 150,000
Chinatrust Commercial Bank	532,312	-	478,428	53,884	1.20%~1.50%	Promissory note 53,388
	<u>\$ 1,496,405</u>	<u>-</u>	<u>1,346,100</u>	<u>150,305</u>		<u>203,388</u>

December 31, 2019						
Underwriting bank	Factored amount	Amount of advance available	Advance amount	Amount transferred to other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	\$ 986,245	-	887,620	98,625	2.54%~2.66%	Promissory note 150,000
Chinatrust Commercial Bank	524,853	-	472,368	52,485	2.35%	Promissory note 54,191
	<u>\$ 1,511,098</u>	<u>-</u>	<u>1,359,988</u>	<u>151,110</u>		<u>204,191</u>

June 30, 2019						
Underwriting bank	Factored amount	Amount of advance available	Advance amount	Amount transferred to other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	\$ 1,285,514	-	1,156,963	128,551	3.00%~3.06%	Promissory note 200,000
Chinatrust Commercial Bank	531,462	-	478,316	53,146	3.17%	Promissory note 55,908
	<u>\$ 1,816,976</u>	<u>-</u>	<u>1,635,279</u>	<u>181,697</u>		<u>255,908</u>

(g) Accounts payable – related parties

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

<u>Account</u>	<u>Related-party categories</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts payable – related parties	Joint ventures	\$ 69,540	21,830	32,475
	Other related Parties	-	-	411
	Subtotal	<u>69,540</u>	<u>21,830</u>	<u>32,886</u>
Other payables – related parties	Other related Parties	9,618	18,277	9,952
	Joint ventures	-	-	7
	Parent	1,081	-	1,222
	Subtotal	<u>10,699</u>	<u>18,277</u>	<u>11,181</u>
	Total	<u>\$ 80,239</u>	<u>40,107</u>	<u>44,067</u>

(3) Compensation for key management personnel

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 11,277	12,304	21,700	23,854
Post-employment benefits	81	81	162	162
	<u>\$ 11,358</u>	<u>12,385</u>	<u>21,862</u>	<u>24,016</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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Land and buildings	Long-term debt	\$ 687,387	698,407	709,426
Machinery and equipment	Long-term debt	-	-	114,579
		<u>\$ 687,387</u>	<u>698,407</u>	<u>824,005</u>

9. Significant commitments and contingencies

Significant unrecognized commitments:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unused letters of credit	\$ 1,064,455	932,174	865,497
Unpaid payments of major construction and equipment	144,747	169,532	330,638

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Function Nature	Three months ended June 30,					
	2020			2019		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Employee benefits expenses:						
Salaries and wages	305,523	148,804	454,327	310,112	151,234	461,346
Labor and health						
insurances	19,789	9,420	29,209	21,914	10,245	32,159
Retirement benefits	8,831	5,644	14,475	11,536	6,284	17,820
Other employee benefits	17,425	6,005	23,430	17,103	5,591	22,694
Depreciation	134,682	15,581	150,263	131,161	30,689	161,850
Amortization	3,811	6,094	9,905	1,470	1,539	3,009

Function Nature	Six months ended June 30,					
	2020			2019		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Employee benefits expenses:						
Salaries and wages	583,333	294,926	878,259	617,720	291,385	909,105
Labor and health						
insurances	41,948	20,000	61,948	45,870	20,814	66,684
Retirement benefits	18,427	11,610	30,037	23,004	12,514	35,518
Other employee benefits	34,111	11,670	45,781	32,380	10,766	43,146
Depreciation	267,031	32,391	299,422	257,854	62,106	319,960
Amortization	7,782	12,295	20,077	3,051	6,033	9,084

(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 six months ended June 30, 2020, 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
2	BMS (Note 1)	Sigma Medical Supplies Corp.	Other receivables – related parties	Yes	86,410 (RMB20,000)	83,786 (RMB20,000)		1.8%
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	-		-	1,852,479	1,852,479	
2	-	Business operation	-		-	1,852,479	1,852,479	

(Note 1): The aggregate financing amount to subsidiaries wholly owned by the parent and the individual financing amount of BMS shall not exceed limited, 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):

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Investing company	Marketable securities type and name	Relation with the securities issuer	Financial statement account	As of June 30, 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%	-	
BenQ	Stock: Changguang Corporation	-	Financial assets at fair value through other comprehensive profit or loss	1,600	91,200	5.25%	91,200	
BenQ	Stock: Kangde Corporation	-	Financial assets at fair value through other comprehensive profit or loss	150	1,500	13.04%	1,500	

(Note): The impairment loss was fully recognized.

(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	1,874,193	26%	OA90	(Note 1)	(Note 3)	23,080	1%	-
BenQ	AUS	Other related party	Sales	597,730	8%	OA90	"	"	33,088	2%	-
BenQ	AUX	Other related party	Sales	307,349	4%	OA90	"	"	7,493	-	-
BenQ	BMS	Subsidiary	Purchases	(380,508)	8%	OA90	(Note 2)	"	(80,255)	3%	(Note 4)
BenQ	Visco Vision	Joint ventures	Purchases	(103,027)	2%	OA90	"	"	(69,402)	2%	-

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (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 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. For the other transactions, there were no significant differences between the purchase prices for related parties and those for third-party customers.
- (Note 3): These transactions were no significant differences between related parties and those for third-party customers.
- (Note 4): The transactions have been eliminated when preparing the consolidated financial statements.
- (Note 5): 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 June 30, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
BenQ(Note 1)	BMW	Subsidiary	112,487	1.09	-		-	-

(Note 1): The transactions have been eliminated when preparing the 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)			Percentage of consolidated total operating revenues or total assets (Note 4)
				Account	Amount	Transaction term	
1	BenQ	DTB	1	Sales	22,522	OA90	0.31%
1	BenQ	DTB	1	Accounts receivable	82,483	OA90	0.79%
2	BenQ	BMW	1	Sales	52,963	OA180	0.74%
2	BenQ	BMW	1	Accounts receivable	112,487	OA180	1.07%
3	BMS	BenQ	2	Revenues of conversion	380,508	OA90	5.31%
3	BMS	BenQ	2	Accounts receivable	80,255	OA90	0.77%

(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 percentage is divided by consolidated operating revenues or consolidated total assets.

(Note 5): The transactions have been eliminated when preparing the consolidated financial statements.

(2) Information on investees:

The information of investee companies for the six months ended June 30, 2020 (excluding investees in China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at June 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Carrying amount			
BenQ	BMLB	Malaysia	Investment holding	1,141,340	1,141,340	35,082	100.00%	1,460,192	4,760	4,760	(Note 1)
BenQ	SMS	Taiwan	Manufacture and sales of medical consumables and equipment	560,000	560,000	40,000	100.00%	461,677	(32,196)	(31,707)	(Note 1)
BenQ	Visco Vision	Taiwan	Manufacture and sales of contact lenses	180,523	180,523	9,984	18.24%	175,866	126,925	22,634	
BenQ	CENEFOM	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	29,127	29,127	1,095	12.12%	14,523	(9,384)	(1,137)	

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Information on investments in China:

(a) Relevant information on investments in 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, 2020	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of June 30, 2020	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 June 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
BenQ Material Co., Ltd. ("BMS")	Manufacture of optoelectronics	860,140 (USD29,000)	(3)	860,140 (USD29,000)	-	-	860,140 (USD29,000)	41,006	100.00%	41,006 (Note 2)	1,852,479 (Note 4)	-
Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Sales of medical consumables and equipment	46,082 (RMB11,000)	(2)	-	-	-	-	1,309	100.00%	1,309 (Note 2)	784 (Note 4)	-
BenQ Materials (Wuhu) Co., Ltd	Manufacture and sales of optoelectronics and cosmetics	335,144 (RMB80,000)	(3)	167,572 (RMB40,000)	-	-	167,572 (RMB40,000) (Note 3)	(32,314)	100.00%	(32,314) (Note 2)	(437,104) (Note 4)	-
BenQ Materials Medical (Suzhou) Co. Ltd. (BMM)	Manufacture and sales of medical consumables and equipment	62,840 (RMB15,000)	(2)	-	-	-	-	(3,137)	100.00%	(3,137) (Note 2)	59,046 (Note 4)	-
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	47,219 (USD1,592)	(1)	47,219 (USD1,592)	-	-	47,219 (USD1,592)	(10,639)	100.00%	(10,639) (Note 2)	29,788 (Note 4)	-

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

(1) Directly invest in a company in China.

(2) The reinvestments in China were from the earnings of BMLB.

(3) Indirect investment in 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.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to 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 June 30, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment by Investment Commission, MOEA
BenQ	1,027,712 (USD29,000 and RMB40,000)	1,136,424 (USD29,000 and RMB65,950)	(Note)
SMS	47,219 (USD1,592)	47,219 (USD1,592)	212,401

The above amounts were translated into NTD at the exchange rate of USD/NTD29.660 and RMB/NTD4.1893.

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

(c) Significant transactions with investee companies in China:

The direct or indirect transactions in China have been eliminated when preparing the consolidated financial statements for the six months ended June 30, 2020, please refer to "Information on significant transactions" for the details.

(4) Major shareholders information

Shareholder Name	Shareholding	Shareholding ratio
BenQ Corp.	80,847,763	25.21%
Qisda Corp.	43,659,294	13.61%

(Note): This table is calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day of every season. To compute the shareholding companies' 5% of total of the ordinary shares and special shares of non-physical securities (including treasury shares). As for the company's financial reporting, it has written down that the share and the company's completed non-physical securities' shareholding might be discrepancy due to its different ways of factorization.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Segment information

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

Three Months Ended June 30, 2020				
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 3,373,235	347,478	-	3,720,713
Intra-segment revenue	-	-	-	-
Total revenue	\$ 3,373,235	347,478	-	3,720,713
Segment (loss) profit	\$ 72,739	(6,978)	-	65,761
Shares of interests of related companies recognized by the equity method				11,144
Net profit after tax				\$ 76,905

Three Months Ended June 30, 2019				
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 3,297,071	362,151	-	3,659,222
Intra-segment revenue	-	-	-	-
Total revenue	\$ 3,297,071	362,151	-	3,659,222
Segment profit	\$ 49,514	28,260	-	\$ 77,774
Shares of interests of related companies recognized by the equity method				8,999
Net profit after tax				\$ 86,773

Six Months Ended June 30, 2020

	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 6,499,172	665,147	-	7,164,319
Intra-segment revenue	-	-	-	-
Total revenue	\$ 6,499,172	665,147	-	7,164,319
Segment profit	\$ 94,815	(6,841)	-	87,974
Shares of interests of related companies recognized by the equity method				21,497
Net profit after tax				\$ 109,471

Six Months Ended June 30, 2019

	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 6,349,015	702,018	-	7,051,033
Intra-segment revenue	-	-	-	-
Total revenue	\$ 6,349,015	702,018	-	7,051,033
Segment profit	\$ 102,610	39,977	-	142,587
Shares of interests of related companies recognized by the equity method				13,844
Net profit after tax				\$ 156,431

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