

BENQ MATERIALS CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements
With Independent Auditors' Report
For the Three Months Ended March 31, 2021 and 2020

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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 March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, 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 \$192,254 thousand and \$209,429 thousand as of March 31, 2021 and 2020, respectively, as well as the equity in net earnings on the joint ventures using the equity method of \$11,970 thousand and \$10,353 thousand for the three months ended March 31, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by the investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of BenQ and its subsidiaries as of March 31, 2021 and 2020, and the consolidated financial performance and the consolidated cash flows for the three months ended March 31, 2021 and 2020, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS No. 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG
Taipei, Taiwan
Republic of China
May 6th, 2021

Review only, not audited in accordance with generally accepted auditing standards as of March 31, 2021 and 2020

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020 and March 31, 2020

(Unit: NT\$ thousand)

| Assets | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | | | March 31, 2020 | | December 31, 2020 | | March 31, 2020 | | |
|---|----------------------|------------|-------------------|------------|-------------------|------------|------|---|----------------------|-------------------|-------------------|----------------|-------------------|------------|
| | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % | |
| Current assets: | | | | | | | | Liabilities and Equity | | | | | | |
| 1100 Cash and cash equivalents (Note 6 (1)) | \$ 131,227 | 1 | 148,243 | 1 | 261,282 | 1 | 2100 | Current liabilities: | | | | | | |
| 1110 Financial assets at fair value through profit or loss – Current (Note 6 (2)) | 4,645 | - | 18,258 | - | 16,622 | - | 2120 | Short-term borrowings (Note 6 (12)) | \$ - | - | 150,000 | 1 | 23,800 | - |
| 1120 Financial assets at fair value through other comprehensive income - Current (Note 6 (3)) | 66,780 | 1 | 57,809 | - | 95,360 | - | 2180 | Financial liabilities at fair value through Profit or loss – Current (Note 6 (2)) | 61,339 | - | 5,838 | - | 352 | - |
| | | | | | | | | Accounts payable | 3,334,448 | 30 | 3,421,461 | 31 | 3,010,884 | 29 |
| | | | | | | | | Accounts payable to related parties (Note 7) | 78,759 | 1 | 29,766 | 31 | 12,978 | - |
| | | | | | | | | | | | | | | |
| 1170 Notes receivable, net account (Note 6 (4) (20)) | 1,582,298 | 14 | 1,396,423 | 13 | 1,735,537 | 16 | 2200 | Other payables (Note 6 (21)) | 1,127,379 | 10 | 1,183,091 | 11 | 979,254 | 9 |
| 1180 Accounts receivable - Related parties, net amount (Note 6 (4) (20) and 7) | 799,953 | 7 | 954,445 | 9 | 210,116 | 2 | 2220 | Other payables – Related parties (Note 7) | 20,755 | - | 16,218 | - | 17,606 | - |
| 1200 Other receivables (Note 6 (4) (5) and 7) | 234,757 | 2 | 221,153 | 2 | 194,431 | 2 | 2281 | Lease liabilities – Current (Note 6 (14)) | 2,350 | - | 2,626 | - | 3,170 | - |
| 1210 Other receivable - Related parties (Note 6 (5) and 7) | 75 | - | 55 | - | 68 | - | 2282 | Lease liabilities – Related parties – Current (Note 6 (14) and 7) | 90,788 | 1 | 82,289 | 1 | 80,763 | 1 |
| 1310 Inventories net (Note 6 (6)) | 2,386,801 | 21 | 2,404,889 | 22 | 2,168,625 | 21 | 2399 | Other current liabilities | 87,217 | 1 | 79,570 | 1 | 128,091 | 1 |
| 1470 Other current assets | 377,921 | 4 | 334,982 | 3 | 234,106 | 2 | | Total current liabilities | <u>4,803,035</u> | <u>43</u> | <u>4,970,859</u> | <u>45</u> | <u>4,256,898</u> | <u>40</u> |
| 1476 Other financial assets – Current (Note 8) | 8,978 | - | 15,836 | - | 5,132 | - | | Non-current liabilities | | | | | | |
| Total current assets | <u>5,593,435</u> | <u>50</u> | <u>5,552,093</u> | <u>50</u> | <u>4,921,279</u> | <u>46</u> | 2540 | Long-term borrowings (Note 6 (13) and 8) | 1,681,310 | 15 | 1,614,624 | 15 | 2,064,000 | 19 |
| Noncurrent assets: | | | | | | | 2570 | Deferred tax liabilities | 6,352 | - | 7,018 | - | 5,961 | - |
| 1517 Financial assets at fair value through other comprehensive income – Non-current (Note 6 (3)) | 5,400 | - | 1,500 | - | - | - | 2581 | Lease liabilities – Non-current (Note 6 (14)) | 4,883 | - | 5,745 | - | 6,807 | - |
| 1550 Investment accounted for using equity method (Note 6 (7)) | 192,254 | 2 | 196,876 | 2 | 209,429 | 2 | 2600 | Lease liabilities – Related parties - Non-current (Note (14) and 7) | 68,930 | 1 | 91,779 | 1 | 159,255 | 2 |
| 1600 Real estate, plant, and equipment (Note 6 (8) and 8) | 4,381,350 | 39 | 4,349,216 | 39 | 4,375,888 | 41 | | Other non-current liabilities (Note 6 (13)) | 44,801 | 1 | 46,651 | - | 30,407 | - |
| 1755 Right-of-use asset (Note 6 (9)) | 199,766 | 2 | 221,590 | 2 | 284,265 | 3 | | Total non-current liabilities | <u>1,806,276</u> | <u>17</u> | <u>1,765,817</u> | <u>16</u> | <u>2,266,430</u> | <u>21</u> |
| 1760 Net Investment property (Note 6 (10)) | 451,486 | 4 | 457,097 | 4 | 467,763 | 4 | | Total liabilities | <u>6,609,311</u> | <u>60</u> | <u>6,736,676</u> | <u>61</u> | <u>6,523,328</u> | <u>61</u> |
| 1780 Intangible assets (Note 6 (11) and 7) | 36,753 | - | 34,254 | - | 43,599 | 1 | 3110 | Equity (Note 6 (18)) | | | | | | |
| 1840 Deferred tax assets | 174,271 | 2 | 174,259 | 2 | 244,961 | 2 | 3200 | Common stock | 3,206,745 | 29 | 3,206,745 | 29 | 3,206,745 | 30 |
| 1920 Guarantee deposits paid | 15,801 | - | 13,930 | - | 14,289 | - | 3300 | Capital reserve | 11,428 | - | 11,427 | - | 11,441 | - |
| 1995 Other non-current assets | 54,342 | 1 | 58,636 | 1 | 98,134 | 1 | 3310 | Retained earnings | | | | | | |
| Total non-current assets | <u>5,511,423</u> | <u>50</u> | <u>5,507,358</u> | <u>50</u> | <u>5,738,328</u> | <u>54</u> | 3320 | Legal reserve | 277,665 | 3 | 277,665 | 3 | 251,953 | 3 |
| | | | | | | | 3350 | Special reserve | 33,896 | - | 33,896 | - | - | - |
| | | | | | | | 3400 | Balance of retained earnings | 1,042,879 | 9 | 876,576 | 8 | 733,114 | 7 |
| | | | | | | | | Other equity | (77,066) | (1) | (83,534) | (1) | (66,974) | (1) |
| Total Assets | <u>\$ 11,104,858</u> | <u>100</u> | <u>11,059,451</u> | <u>100</u> | <u>10,659,607</u> | <u>100</u> | | Total equity | <u>4,495,547</u> | <u>40</u> | <u>4,322,775</u> | <u>39</u> | <u>4,136,279</u> | <u>39</u> |
| | | | | | | | | Total liabilities and equity | <u>\$ 11,104,858</u> | <u>100</u> | <u>11,059,451</u> | <u>100</u> | <u>10,659,607</u> | <u>100</u> |

(See the attached notes to the Consolidated Financial Statements)

Chairman: Zhién-Chi (Z.C.) Chen

General Manager: Ray, Liu

Accounting Manager: James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2021 and 2020

(Unit: NT\$ thousand)

| | | Three months ended March 31 | | | |
|------|--|-----------------------------|------|-------------|------|
| | | 2021 | | 2020 | |
| | | Amount | % | Amount | % |
| 4110 | Net sales revenue (Note 6 [20] , 7 and 14) | \$ 4,076,282 | 100 | 3,443,606 | 100 |
| 5000 | Operating expenses (Note 6 [6] , [8] , [9] , [10] , [11] , [14] , [16] , [21] , 7 and 12) | (3,464,690) | (85) | (2,946,713) | (86) |
| | Gross operating profit | 611,592 | 15 | 496,893 | 14 |
| | Operating expenses: (Note 6 [4] , [8] , [9] , [11] , [14] , [16] , [21] , 7 and 12): | | | | |
| 6100 | Selling expenses | (222,144) | (5) | (208,607) | (6) |
| 6200 | General and administrative expenses | (62,229) | (2) | (51,780) | (2) |
| 6300 | Costs of research and development | (178,717) | (4) | (153,676) | (4) |
| | | (463,090) | (11) | (414,063) | (12) |
| | Net operating income | 148,502 | 4 | 82,830 | 2 |
| | Non-operating income and expenses (Note 6 [7] , [13] , [14] , [22] and 7): | | | | |
| 7100 | Interest revenue | 120 | - | 252 | - |
| 7010 | Other income | 4,912 | - | 884 | - |
| 7020 | Other profits and loss | 57,641 | 1 | (29,641) | (1) |
| 7050 | Financial cost | (10,727) | - | (20,156) | - |
| 7370 | Share of profits of associates accounted for using the equity method | 11,970 | - | 10,353 | - |
| | | (63,916) | 1 | (38,308) | (1) |
| | Income before income tax | 212,418 | 5 | 44,522 | 1 |
| 7950 | Less: Income tax expense (Note 6 [17]) | (46,115) | (1) | (11,956) | - |
| | Net profit | 166,303 | 4 | 32,566 | 1 |
| 8310 | Other comprehensive income: | | | | |
| | Items that will not be reclassified to profit or loss (Note 6 [18]) | | | | |
| 8316 | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | 8,971 | - | (5,872) | - |
| 8349 | Income tax related to items that will not be reclassified | - | - | - | - |
| | | 8,971 | - | (5,872) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss (Note 6 [7] , [18]) | | | | |
| 8361 | Exchanges differences arising on translation of financial statements of foreign operations | 5,162 | - | (18,747) | (1) |
| 8370 | Share of other comprehensive income of associates accounted for using the equity method | (7,665) | - | (8,459) | - |
| 8399 | Income tax related to items that may be reclassified | - | - | - | - |
| | | (2,503) | - | (27,206) | (1) |
| | Other Comprehensive Income (Loss) | 6,468 | - | (33,078) | (1) |
| 8500 | Total comprehensive income for the period | 172,771 | 4 | (512) | |
| | Net profit after tax for the period attributable to: Owners of the parent company | \$ 166,303 | 4 | 32,566 | 1 |
| | Total comprehensive income attributable to: Owners of the parent company | \$ 172,771 | 4 | (512) | - |
| | Earnings per share (Unit: NT\$, Note 6 [19]) | | | | |
| 9750 | Basic earnings per share | \$ 0.52 | | 0.10 | |
| 9850 | Diluted earnings per share | \$ 0.52 | | 0.10 | |

(See the attached notes to the Consolidated Financial Statements)

Chairman: Zhiem-Chi (Z.C.) Chen

General Manager: Ray, Liu

Accounting Manager: James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020**

(Unit: NT\$ thousand)

Profit and / loss attributable to the owners of parent company

| | Retained earnings | | | | | | Other equity items | | | | |
|--|---------------------|-----------------|----------------|-----------------|------------------------------|------------------|---|--|---------------------------------------|-----------------|------------------|
| | Common stock | Capital reserve | Legal reserve | Special reserve | Balance of retained earnings | Total | Exchange differences arising on translation | Unrealized profits and losses of financial assets at fair value through other comprehensive income | Remeasurement of defined welfare plan | Total | Total equity |
| Balance as of January 1, 2020 | \$ 3,206,745 | 5,618 | 251,593 | - | 700,548 | 952,501 | (36,865) | 22,832 | (19,863) | (33,896) | 4,130,968 |
| Net profit | - | - | - | - | 32,566 | 32,566 | - | - | - | - | 32,566 |
| Other Comprehensive Income (Loss) | - | - | - | - | - | - | (27,206) | (5,872) | - | (33,078) | (33,078) |
| Total comprehensive income for the period | - | - | - | - | 32,566 | 32,566 | - | - | - | - | (512) |
| Change in capital surplus from investments in associates under equity method | - | 5,823 | - | - | - | - | - | - | - | - | 5,823 |
| Balance as of March 31, 2020 | \$ 3,206,745 | 11,441 | 251,953 | - | 733,114 | 985,067 | (64,071) | 16,960 | (19,863) | (66,974) | 4,136,279 |
| Balance as of January 1, 2021 | \$ 3,206,745 | 11,427 | 277,665 | 33,896 | 876,576 | 1,188,137 | (40,946) | (20,591) | (21,997) | (83,534) | 4,322,775 |
| Net profit | - | - | - | - | 166,303 | 166,303 | - | - | - | - | 166,303 |
| Other Comprehensive Income (Loss) | - | - | - | - | - | - | (2,503) | 8,971 | - | 6,468 | 6,468 |
| Total comprehensive income for the period | - | - | - | - | 166,303 | 166,303 | (2,503) | 8,971 | - | 6,468 | 172,771 |
| Change in capital surplus from investment associates under equity method | - | 1 | - | - | - | - | - | - | - | - | 1 |
| Balance as of March 31, 2021 | \$ 3,206,745 | 11,428 | 277,665 | 33,896 | 1,042,879 | 1,354,440 | (43,449) | (11,620) | (21,997) | (77,066) | 4,495,547 |

(See the attached notes to the Financial Consolidated Statements)

Chairman: Zhiem-Chi (Z.C.) Chen

General Manager: Ray, Liu

Accounting Manager: James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Unit: NT\$ thousand)

| | Three months ended March 31 | |
|--|-----------------------------|-----------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Income before income tax for the period | \$ 212,418 | 44,522 |
| Adjusted item: | | |
| Depreciation | 137,268 | 149,159 |
| Amortization expenses | 10,590 | 10,172 |
| Expected credit losses | - | 68 |
| Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss | 69,114 | (9,565) |
| Interest expenses | 10,727 | 20,156 |
| Interest revenue | (120) | (252) |
| Share of profit of affiliated companies accounted for under the equity method | (11,970) | (10,353) |
| Profits from disposal of real estate, plant and equipment | (112) | - |
| Losses from disposal of investment | 8,928 | - |
| Other non-current assets amortized to expenses | 37,596 | 32,280 |
| Amortization of syndication fee costs | 475 | 475 |
| Profits of lease amendment | (2) | - |
| Total adjustments to reconcile profit (loss) | 262,494 | 192,140 |
| Changes in operating assets / liabilities: | | |
| Net changes in operating assets: | | |
| Decrease (increase) in notes receivable and accounts | (170,559) | 54,573 |
| Account receivables – Decrease (increase) in related parties | 125,262 | (132,385) |
| Decreases (increases) in other receivables | 310 | (2,257) |
| Other accounts receivables – Related parties decrease (increase) | (20) | 96 |
| Decrease (increase) in inventory | 18,088 | (205,108) |
| Decrease (increase) in other financial instruments – Current | (70,072) | 9,347 |
| Increase in other assets – Non-current | (9) | (28) |
| Total net changes in operating assets | (97,000) | (275,762) |
| Net changes in operating liabilities: | | |
| Increase (decrease) in account payable | (87,013) | 440,366 |
| Increase (decrease) in account payable - Related parties | 48,993 | (8,852) |
| Decrease in other payables | (104,386) | (141,298) |
| Increase (decrease) in other payables – Related parties | 4,537 | (671) |
| Increase in other current liabilities | 7,647 | 12,419 |
| Decrease in net defined benefit liability | (456) | (474) |
| Total net changes in operating liabilities | (130,678) | (301,490) |
| Total net changes in operating assets and liabilities | (227,678) | 25,728 |

(Continued on the next page)

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the three months ended March 31, 2021 and 2020

(Unit: NT\$ thousand)

| | Three months ended March 31 | |
|---|------------------------------------|------------------|
| | 2021 | 2020 |
| Total adjustments | 34,816 | (217,868) |
| Cash inflow generated from operations | 247,234 | 262,390 |
| Interest received | 120 | 252 |
| Interest payment | (10,572) | (19,896) |
| Income tax paid | (2,815) | (5,636) |
| Net cash flow operating activities | 233,967 | 237,110 |
| Cash flows from investing activities: | | |
| Proceeds from acquisitions of financial assets at fair value through other comprehensive income | \$ (3,900) | - |
| Acquisition of real estate, plant and equipment | (133,484) | (153,407) |
| Disposal of real estate, plant and equipment | 665 | - |
| Decrease (increase) in guarantee deposits paid | (1,871) | 2,913 |
| Acquisition of intangible assets | (13,039) | (9,108) |
| Decrease (increase) in other financial assets | 6,858 | (493) |
| Increase in other non-current assets | (3,686) | (30,848) |
| Net cash outflows from investing activities | (148,457) | (190,943) |
| Cash flow from financing activities: | | |
| Increase in short-term loans | (15,000) | (33,000) |
| Proceeds from long-term borrowings | 1,165,800 | 3,464,000 |
| Repayments of long-term borrowings | (1,100,000) | (3,393,000) |
| Decrease in guarantee deposits received | (508) | (243) |
| Repayments of lease principal | (15,170) | (22,893) |
| Net cash flows (outflows) from financing activities | (99,878) | (18,464) |
| Impact on exchange rates changes | (2,648) | 3,997 |
| Increase (decrease) in cash and cash equivalents for the period | (17,016) | 65,028 |
| Cash and cash equivalents at beginning of year | 148,243 | 196,254 |
| Cash and cash equivalents at end of year | \$ 131,227 | 261,282 |

(See the attached notes to the Consolidated Financial Statements)

Chairman:

Zhien-Chi (Z.C.) Chen

General Manager:

Ray, Liu

Accounting Manager:

James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unless otherwise indicated, the unit for all amounts is in NT\$ thousand.)

1. Company History

BenQ Materials Corporation (hereinafter referred to as "the Company," formerly known as Daxon Technology Inc. and had renamed in June 1999) was established on July 16, 1998, with the approval of the Ministry of Economic Affairs. The registered address is No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333403, Taiwan (R.O.C.). The main business items of the Company and its subsidiaries (hereinafter referred to as "the Combined Company") are manufacturing and sales of film sheet products and medical equipment.

2. Date and Procedures of Authorization of Financial Statements

The Consolidated Financial Statements were published upon approval by the Board of Directors on May 6, 2021.

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

- a. The Impact of Adopting Newly Released and Revised Standards and Interpretations Endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC").

The Combined Company has been applied to the application of the newly recognized IFRSs specified above will not have a material impact on the Consolidated Financial Statements since January 1, 2021.

- Amendments to IFRS 4 "Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IAS 16 "Changes in Interest Rate Indicators - Phase 2."

- b. Newly issued and amended standards and interpretations yet to be endorsed by the FSC

Impact of IFRSs Issued by IASB but not yet endorsed by the FSC on the Combined Company is as follows:

| New or amended standards | Major amendments | The effective date of issue by ISAB |
|---|--|--|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" | The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet. The amendments also clarify the classification rules for debts companies might settle by converting them into equity. | 2023.1.1 |

The Combined Company is continuously evaluating the impact of the impacts on the financial status and operating results of the Combined Company, and the relevant impact will be disclosed when the evaluation is completed.

The Combined Company expects that the following other newly issued and revised standards that have not yet been approved by the FSC will not have a significant impact on the Consolidated Financial Statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 17 "Insurance Contract"
- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"
- Annual Improvements to IFRSs 2018-2020 cycle-
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure to the Accounting Policy"
- Amendments to IAS 8 "Definition to the Accounting 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, 2020. Refer to Note 4 for the consolidated financial statements for the year ended December 31, 2020 for the details.

(2) Basis of consolidation

(a) List of subsidiaries in the Consolidated Financial Statements:

| Investment company name | Subsidiary name | Business type | Proportion of ownership(%) | | | Description |
|-------------------------|---|---|----------------------------|-------------------|----------------|-------------|
| | | | March 31, 2021 | December 31, 2020 | March 31, 2020 | |
| 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) | Provision of services and sales of related products such as medical equipment | 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 | 100.00 | - |
| SMS | Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ") | Manufacture and sales of medical consumables and equipment | 100.00 | 100.00 | 100.00 | - |

(b) List of subsidiaries which excluded 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.

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. The Primary Sources of Uncertainties in Major Accounting Judgement Estimates and Assumptions

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, 2020.

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, 2020.

(1) Cash and Cash Equivalents

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------------------|---------------------------|--------------------------|---------------------------|
| Working capital | \$ 181 | 199 | 349 |
| Demand deposit and cheque deposit | 131,046 | 148,044 | 260,933 |
| | \$ 131,227 | 148,243 | 261,282 |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|--------------------------|---------------------------|
| Mandatory financial assets measured at fair value through profit or loss – current: | | | |
| Foreign currency forward contracts | \$ 402 | 11,112 | 14,953 |
| Foreign exchange swaps | 4,243 | 7,146 | 1,669 |
| | \$ 4,645 | 18,258 | 16,622 |

| | March 31, 2021 | December 31, 2020 | March 31, 2021 |
|---|---------------------------|--------------------------|---------------------------|
| Financial liabilities held for trading – current: | | | |
| Foreign currency forward contracts | \$ (61,339) | (5,838) | (352) |

Fair value remeasurement was recognized in profit or loss. Refer to Note 6 [22] for details.

l) Derivatives

The Combined Company engages in derivative financial instrument transactions to avoid exchange rate risks exposed by business and financing activities. Because hedging accounting is not applied, the details of the derivative instruments of financial assets and liabilities measured at fair value through profit and loss are as follows:

a. Foreign currency forward contracts

March 31, 2021

| Contract amount (NT\$ thousands) | Type of currency | Due date |
|--|-------------------------|--------------------------------|
| RMB 9,767 | Sell RMB / Buy USD | April 15, 2021 |
| USD 50,000 | Sell USD / Buy JPY | April 23, 2021 – July 21, 2021 |
| USD 6,500 | Sell USD / Buy NTD | April 23, 2021 |

December 31, 2020

| Contract amount (NT\$ thousands) | Type of currency | Due date |
|--|-------------------------|------------------------------------|
| RMB 39,244 | Sell RMB / Buy USD | January 8, 2021 |
| USD 48,000 | Sell USD / Buy JPY | January 22, 2021 – March 24, 2021 |
| USD 12,000 | Sell USD / Buy NTD | January 4, 2021 – January 22, 2021 |

March 31, 2020

| Contract amount (NT\$ thousands) | Type of currency | Due date |
|--|-------------------------|--------------------------------|
| RMB 35,233 | Sell RMB / Buy USD | April 9, 2020 |
| USD 38,400 | Sell USD / Buy JPY | April 24, 2019 – June 24, 2020 |
| USD 6,000 | Sell USD / Buy NTD | April 24, 2020 |

b. Foreign exchange swaps

March 31, 2021

| Contract amount (NT\$ thousands) | Type of currency | Due date |
|--|-------------------------|-----------------|
| USD 48,000 | Sell USD / Buy NTD | April 29, 2021 |

December 31, 2020

| Contract amount (in thousands) | Type of currency | Due date |
|--|-------------------------|------------------|
| USD 40,000 | Sell USD / Buy NTD | January 29, 2021 |

March 31, 2020

| Contract amount (in thousands) | Contract item | Due date |
|--|----------------------|-----------------|
| USD 40,000 | Sell USD / Buy NTD | April 30, 2020 |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| Equity instruments measured at fair value through other comprehensive income: | | | |
| Taiwan | \$ 66,780 | 57,809 | 95,360 |
| Unlisted stocks | 5,400 | 1,500 | - |
| | \$ 72,180 | 50,309 | 95,360 |
| Current | \$ 66,780 | 57,809 | 95,360 |
| Noncurrent | 5,400 | 1,500 | - |
| | \$ 72,180 | 101,032 | 95,360 |

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.

For the three months ended March 31, 2021 and 2020, no disposal of investments was conducted and hence no transfer of cumulative profit or loss was recognized.

(4) Notes and accounts receivable

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---------------------------------------|---------------------------|------------------------------|---------------------------|
| Notes receivable | \$ 15,391 | 16,804 | 17,577 |
| Accounts receivable | 1,588,610 | 1,403,099 | 1,741,130 |
| Deduction: allowance for loss | (21,703) | (23,480) | (23,170) |
| | 1,582,298 | 1,396,423 | 1,735,537 |
| Accounts receivable - related parties | 799,953 | 954,445 | 210,116 |
| | \$ 2,382,251 | 2,350,668 | 1,945,653 |

- 1) The Combined Company adopts a simplified approach to estimate expected credit losses for all note and account receivables (including related parties), that is, the expected credit losses during the lifetime are measured, and forward-looking information has been incorporated. The expected credit loss analysis of note receivables and account receivables (including related-parties) of the Combined Company as of March 31, 2021, December 31, 2020 and March 31, 2020 was as follows:

| | March 31, 2021 | | |
|-----------------------|---|--|---|
| | Book amounts of accounts receivables and bills | Weighted- average loss rate | Loss allowance for lifetime expected credit losses |
| Not past due | \$ 2,382,674 | 0.0178% | 423 |
| Past due over 91 days | 21,280 | 100% | 21,280 |
| | \$ 2,403,954 | | 21,703 |

December 31, 2020

| | Book amount of accounts receivables and bills | Weighted- average loss rate | Loss allowance for lifetime expected credit losses |
|-----------------------|--|--|---|
| Not past due | \$2,349,987 | 0.069% | 397 |
| Past due 1~30 days | 1,303 | 1.9186% | 25 |
| Past due over 91 days | 23,058 | 100% | 23,058 |
| | \$ 2,374,348 | | 23,480 |

March, 2020

| | Book amount of accounts receivables and bills | Weighted- average loss rate | Loss allowance for lifetime expected credit losses |
|-----------------------|--|--|---|
| Not past due | \$ 1,945,925 | 0.02% | 394 |
| Past due 1~30 days | 133 | 9.02% | 12 |
| Past due 31~90 days | 4 | 75.00% | 3 |
| Past due over 91 days | 22,761 | 100% | 22,761 |
| | \$ 1,968,823 | | 23,170 |

- 2) The table of changes in allowance loss for notes receivable and accounts receivable of the Combined Company is as follows:

| | Three Months Ended March 31 | |
|---|------------------------------------|---------------|
| | 2021 | 2020 |
| Balance at the beginning of the year | \$ 23,480 | 23,359 |
| Impairment Loss | - | 68 |
| Unrecoverable money offset for the period | (1,847) | - |
| Gain and Loss of foreign exchange | 70 | (257) |
| Balance at the end of the year | \$ 21,703 | 23,170 |

- 3) The Combined Company and the financial institution sign a non-recourse agreement for the sale of account receivables. According to the contract, the Combined Company does not have to bear the risk that the account receivables cannot be recovered, but only bears the losses caused by commercial disputes. Since the Combined Company has transferred almost all the risks and rewards of the ownership of the above account receivables and has not continued to participate in it, it has met the conditions for derecognizing financial assets. After derecognizing the claims on accounts receivable, the claims on financial institutions are listed in other receivables. Relevant information about undue factoring accounts receivable on the reporting date was as follows:

March 31, 2021

| Sale object | Sale amount | Amount still available in advance | Advance amount | Show as other receivables (Note 6 [5]) | Range of interest rates | Other important matters |
|------------------------------|---------------------------|--|-----------------------|---|--------------------------------|--------------------------------|
| Taipei Fubon Commercial Bank | \$ 665,118 | - | 571,696 | 93,422 | 0.79%~0.85% | None |
| KGI Bank | 243,131 | - | 218,755 | 24,376 | 1.01% | None |
| E.Sun Commercial Bank | <u>122,589</u> | <u>-</u> | <u>110,244</u> | <u>12,345</u> | 0.87%~0.88% | None |
| | <u>\$1,030,838</u> | <u>-</u> | <u>900,695</u> | <u>130,143</u> | | |

December 31, 2020

| Sale object | Sale amount | Amount still available in advance | Advance amount | Show as other receivables (Note 6 [5]) | Range of interest rates | Other important matters |
|------------------------------|--------------------------|--|-----------------------|---|--------------------------------|--------------------------------|
| Taipei Fubon Commercial Bank | \$ 573,865 | - | 469,322 | 104,543 | 0.82%~1.13% | None |
| KGI Bank | 233,957 | - | 208,894 | 25,063 | 1.04%~1.05% | None |
| E.Sun Commercial Bank | <u>156,469</u> | <u>-</u> | <u>140,616</u> | <u>15,853</u> | 0.88% | None |
| | <u>\$ 964,291</u> | <u>-</u> | <u>818,832</u> | <u>145,459</u> | | |

March 31, 2020

| Sale object | Sale amount | Amount still available in advance | Advance amount | Show as other receivables (Note 6 [5]) | Range of interest rates | Other important matters |
|------------------------------|--------------------------|--|-----------------------|---|--------------------------------|--------------------------------|
| Taipei Fubon Commercial Bank | \$ 302,789 | - | 272,286 | 30,503 | 3.17%~3.38% | None |
| E.Sun Commercial Bank | <u>165,888</u> | <u>-</u> | <u>149,152</u> | <u>16,736</u> | 2.28%~2.75% | None |
| | <u>\$ 468,677</u> | <u>-</u> | <u>421,438</u> | <u>47,239</u> | | |

For the relevant information about the account receivables that meet the derecognition conditions - the transfer of creditor's rights of related parties, please refer to Note 7.

(5) Other receivables

| | March 31,2021 | December 31,2020 | March 31,2020 |
|---|--------------------------|-----------------------------|--------------------------|
| Other receivables – account receivables sale minus advance price balance (Note 6 [4] and 7) | \$ 232,926 | 219,012 | 190,246 |
| Other receivables - other | 1,831 | 2,141 | 4,185 |
| Other receivables - related parties | 75 | 55 | 68 |
| | <u>234,832</u> | <u>221,208</u> | <u>194,499</u> |
| Deduction: Allowance for loss | - | - | - |
| | <u>\$ 234,832</u> | <u>221,208</u> | <u>194,499</u> |

The Combined Company's other receivables as of March 31, 2021, December 31, 2020 and March 31, 2020, have no expected credit losses after assessment.

(6) Inventories

| | March 31, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------|----------------------------|------------------------------|--------------------------|
| Raw materials | \$ 1,210,373 | 1,252,982 | 993,849 |
| Work in process | 503,902 | 520,005 | 663,021 |
| Finished goods | 672,256 | 631,902 | 511,755 |
| | <u>\$ 2,386,801</u> | <u>2,404,889</u> | <u>2,168,625</u> |

The details of inventory-related costs and expenses recognized in the cost of goods sold in the current period are as follows:

| | Three Months Ended March 31 | |
|--------------------------------|------------------------------------|-------------------------|
| | 2021 | 2020 |
| Inventories cost has been sold | \$ 3,348,843 | 2,880,433 |
| Inventory falling price loss | 107,119 | 54,572 |
| | <u>\$ 3,455,962</u> | <u>2,935,005</u> |

The loss on inventory is the inventory falling price loss recognized as net realizable value due to inventory write-down.

(7) Investments accounted by equity method

| | March 31, 2021 (Not audited) | December 31, 2020 | March 31, 2020 (Not audited) |
|----------------|---|------------------------------|---|
| Joint ventures | <u>\$ 192,254</u> | <u>196,876</u> | <u>209,429</u> |

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

| | Three Months Ended March 31 | |
|----------------|------------------------------------|---------------|
| | 2021 | 2020 |
| Joint ventures | \$11,970 | 10,353 |

(a) Joint ventures

Taikebio Co., Ltd was dissolved by shareholders' meeting in January 28, 2021 and conducted the liquidation procedure, therefore, the Combined Company had lost the important influence for Taiebio Co., Ltd and lost 8,928 thousand on disposal of investment.

In August 2020, the Combined Company disposing of some of the equity of Visco with a cash amount of NT\$ 14,955 thousand resulting in disposal of an investment benefit of NT\$ 11,975 thousand but it did not result in a significant loss of influence.

In July and September 2020, the Combined Company invested NT\$ 10,001 thousand and NT\$ 6,000 thousand in cash in Taikebio Co., Ltd. and MLK Bioscience Co., Ltd. both of which acquired 20% of the equity, because it served as the Company directors also have the ability to participate in decision-making, so they have significant influence and are evaluated by the equity method.

As the affiliated companies of the Combined Company adopting the equity method are individually insignificant, their financial information is summarized as follows. Such financial information is the amount included in the Consolidated Financial Statements:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|---------------------------|------------------------------|---------------------------|
| The carrying amount of equity of individually immaterial associates at end of period | \$ 192,254 | 196,876 | 209,429 |

| | Three months ended March 31 | |
|---|------------------------------------|--------------|
| | 2021 | 2020 |
| Share attributable to the Combined Company: | | |
| Net profit | \$ 11,970 | 10,353 |
| Other comprehensive income | (7,665) | (8,459) |
| Total comprehensive income | \$ 4,305 | 1,894 |

(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.

(8) Real estate, plant and equipment

| | Land | Housing and buildings | Machinery equipment | Others | Total |
|---|---------------------|--------------------------------------|--------------------------------|------------------|-------------------|
| Cost: | | | | | |
| Balance as of January 1, 2021 | \$ 1,477,219 | 3,208,141 | 5,845,067 | 2,332,464 | 12,862,891 |
| Addition | - | 29,372 | 15,374 | 88,821 | 133,567 |
| Disposal | - | - | (17,625) | - | (17,625) |
| Reclassification and effect of foreign exchange rate changes | - | 311,334 | 30,636 | (330,191) | 11,779 |
| Balance as of March 31, 2021 | \$ 1,477,219 | 3,548,847 | 5,873,452 | 2,091,094 | 12,990,612 |
| Balance as of January 1, 2020 | \$ 1,477,219 | 3,115,137 | 5,780,134 | 2,115,547 | 12,488,037 |
| Addition | - | 940 | 19,632 | 136,573 | 157,145 |
| Disposal | - | (292) | (14,687) | (3,071) | (18,050) |
| Reclassification and effect of foreign exchange rate changes | - | 70,465 | 5,365 | (107,566) | (31,736) |
| Balance at March 31, 2020 | \$ 1,477,219 | 3,186,250 | 5,790,444 | 2,141,483 | 12,595,396 |
| Accumulated depreciation: | | | | | |
| Balance as of January 1, 2021 | \$ - | 1,895,311 | 4,970,576 | 1,647,788 | 8,513,675 |
| Depreciation | - | 31,850 | 55,385 | 21,260 | 108,495 |
| Disposal | - | - | (17,072) | - | (17,072) |
| Reclassification and effect of foreign exchange rate changes | - | (1,922) | (1,852) | 390 | 4,164 |
| Balance as of March 31, 2021 | \$ - | 1,929,083 | 5,010,741 | 1,669,438 | 8,609,262 |
| Balance as of January 1, 2020 | \$ - | 1,771,061 | 4,828,067 | 1,531,636 | 8,130,764 |
| Depreciation | - | 29,990 | 52,374 | 34,601 | 116,965 |
| Disposal | - | (292) | (14,687) | (3,071) | (18,050) |
| Reclassification and effect of foreign exchange rate changes | - | 6,608 | 2,148 | (1,415) | (10,171) |
| Balance at March 31, 2020 | \$ - | 1,794,151 | 4,863,606 | 1,561,751 | 8,219,508 |
| Carrying value: | | | | | |
| January 1, 2021 | \$ 1,477,219 | 1,312,830 | 874,491 | 684,676 | 4,349,216 |
| March 31, 2021 | \$ 1,477,219 | 1,619,764 | 862,711 | 421,656 | 4,381,350 |
| January 1, 2020 | \$ 1,477,219 | 1,344,076 | 952,067 | 583,911 | 4,357,273 |
| March 31, 2020 | \$ 1,477,219 | 1,392,099 | 926,838 | 579,732 | 4,375,888 |

For the details of real estate, plant and equipment that have been used as guarantee for long-term loans and financing lines, please refer to note 8 for details.

(9) Right-of-use assets

| | <u>Land use rights</u> | <u>Housing buildings</u> | <u>Total</u> |
|--|----------------------------|------------------------------|----------------|
| Right-of-use assets cost: | | | |
| Balance as of January 1, 2021 | \$ 63,007 | 426,531 | 489,538 |
| Lease amendment | - | (389) | (389) |
| Effect of changes in exchange rate | 208 | (2) | 206 |
| Balance as of March 31, 2021 | <u>\$ 63,215</u> | <u>426,140</u> | <u>489,355</u> |
| Balance as of January 1, 2020 | \$ 62,883 | 465,035 | 527,918 |
| Disposal | - | (39,670) | (39,670) |
| Effect of changes in exchange rate | (759) | - | (759) |
| Balance as of March 31, 2020 | <u>\$ 62,124</u> | <u>425,365</u> | <u>487,489</u> |
| Accumulated depreciation of right-of-use assets: | | | |
| Balance as of January 1, 2021 | \$ 13,666 | 254,282 | 267,948 |
| Depreciation | 322 | 21,346 | 21,668 |
| Lease amendment | - | (73) | (73) |
| Effect of changes in exchange rate | 46 | - | 46 |
| Balance as of March 31, 2021 | <u>\$ 14,034</u> | <u>275,555</u> | <u>289,589</u> |
| Balance as of January 1, 2020 | \$ 12,356 | 208,990 | 221,346 |
| Depreciation | 321 | 21,380 | 21,701 |
| Disposal | - | (39,670) | (39,670) |
| Effect of changes in exchange rate | (153) | - | (153) |
| Balance as of March 31, 2020 | <u>\$ 12,524</u> | <u>190,700</u> | <u>203,224</u> |
| Carrying value: | | | |
| January 1, 2021 | <u>\$ 49,341</u> | <u>172,249</u> | <u>221,590</u> |
| March 31, 2021 | <u>\$ 49,181</u> | <u>150,585</u> | <u>199,766</u> |
| January 1, 2020 | <u>\$ 50,527</u> | <u>256,045</u> | <u>306,572</u> |
| March 31, 2020 | <u>\$ 49,600</u> | <u>234,665</u> | <u>284,265</u> |

The land use right (including the land use right listed in investment real estate) is the Combined Company signed with the Mainland China Land and Resources Bureau to obtain the land use right of Suzhou Industrial Park and Gejiang District High-tech Industrial Development Zone in Wuhu City for the purpose of building factories. The period of use was from 2005 to 2055 and from 2012 to 2062.

(10) Investment property

| | House and buildings | Land use rights | Total |
|------------------------------------|--------------------------------|----------------------------|----------------|
| Cost: | | | |
| Balance as of January 1, 2021 | \$ 885,528 | 67,341 | 952,869 |
| Effect of changes in exchange rate | 2,921 | 222 | 3,143 |
| Balance as of March 31, 2021 | \$ 888,449 | 67,563 | 956,012 |
| Balance at January 1, 2020 | \$ 877,685 | 67,209 | 944,894 |
| Effect of changes in exchange rate | (10,592) | (811) | (11,403) |
| Balance at March 31, 2020 | \$ 867,093 | 66,398 | 933,491 |
| Accumulated depreciation: | | | |
| Balance as of January 1, 2021 | \$ 475,692 | 20,080 | 495,772 |
| Depreciation | 6,758 | 347 | 7,105 |
| Effect of changes in exchange rate | 1,582 | 67 | 1,649 |
| Balance as of March 31, 2021 | \$ 484,032 | 20,494 | 504,526 |
| Balance at January 1, 2020 | \$ 442,272 | 18,658 | 460,930 |
| Depreciation | 10,178 | 315 | 10,493 |
| Effect of changes in exchange rate | (5,466) | (229) | (5,695) |
| Balance as of March 31, 2020 | \$ 446,984 | 18,744 | 465,728 |
| Carrying value: | | | |
| January 1, 2021 | \$ 409,836 | 47,261 | 457,097 |
| March 31, 2021 | \$ 404,417 | 47,069 | 451,486 |
| January 1, 2020 | \$ 435,413 | 48,551 | 483,964 |
| March 31, 2020 | \$ 420,109 | 47,654 | 467,763 |

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, 2020.

(11) Intangible assets

| | <u>Patented technology</u> | <u>Purchased software</u> | <u>Other</u> | <u>Total</u> |
|---|--------------------------------|-------------------------------|--------------|----------------|
| Cost: | | | | |
| Balance as of January 1, 2021 | \$ 47,116 | 218,155 | 1,490 | 266,761 |
| Separate acquisition | - | 13,039 | - | 13,039 |
| Reclassification and effect of exchange rate changes | 298 | 5 | 3 | 306 |
| Balance as of March 31, 2021 | <u>\$ 47,414</u> | <u>231,199</u> | <u>1,493</u> | <u>280,106</u> |
| Balance as of January 1, 2020 | \$ 50,034 | 187,279 | 1,488 | 238,801 |
| Separate acquisition | - | 9,108 | - | 9,108 |
| Reclassification and effect of exchange rate changes | 246 | (30) | (12) | 204 |
| Balance as of March 31, 2020 | <u>\$ 50,280</u> | <u>196,357</u> | <u>1,476</u> | <u>248,113</u> |
| Accumulated amortization: | | | | |
| Balance as of January 1, 2021 | \$ 34,475 | 196,764 | 1,268 | 232,507 |
| Amortization | 1,734 | 8,781 | 75 | 10,590 |
| Reclassification and effect of exchange rate changes | 250 | 5 | 1 | 256 |
| Balance as of March 31, 2021 | <u>\$ 36,459</u> | <u>205,550</u> | <u>1,344</u> | <u>243,353</u> |
| Balance as of January 1, 2020 | \$ 28,903 | 164,352 | 968 | 194,223 |
| Amortization | 1,924 | 8,173 | 75 | 10,172 |
| Reclassification and effect of exchange rate changes | 154 | (27) | (8) | 119 |
| Balance as of March 31, 2020 | <u>\$ 30,981</u> | <u>172,498</u> | <u>1,035</u> | <u>204,514</u> |
| Carrying amount: | | | | |
| Balance as of January 1, 2021 | <u>\$ 12,641</u> | <u>21,391</u> | <u>222</u> | <u>34,254</u> |
| Balance as of March 31, 2021 | <u>\$ 10,955</u> | <u>25,649</u> | <u>149</u> | <u>36,753</u> |
| Balance as of January 1, 2020 | <u>\$ 21,131</u> | <u>22,927</u> | <u>520</u> | <u>44,578</u> |
| Balance as of March 31, 2020 | <u>\$ 19,299</u> | <u>23,859</u> | <u>441</u> | <u>43,599</u> |

(12) Short-term borrowings

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|----------------------|---------------------------|------------------------------|---------------------------|
| Unsecured bank notes | \$ - | 150,000 | 23,800 |
| Used limit | <u>\$ 9,054,788</u> | <u>8,665,088</u> | <u>9,040,385</u> |
| Interest rate range | - | 0.82% | 1.19% |

(13) Long-term borrowings

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| Unsecured bank notes | \$ 871,310 | 864,624 | 764,000 |
| Secured bank notes | 810,000 | 750,000 | 1,300,000 |
| Total | \$ 1,681,310 | 1,614,624 | 2,064,000 |
| Unused limit | \$ 3,252,890 | 3,318,690 | 2,953,000 |
| Expiry year (in year Republic of China) | 112~119 | 112~119 | 110~119 |
| Interest rate range | 1.25%~1.30% | 1.25%~1.30% | 0.75%~1.43% |

(a) Borrowings and repayments

For the three months ended March 31, 2021 and 2020, the Company's borrow amount of long-term loan was \$1,165,800 thousand and \$3,464,000 thousand. For the three months ended March 31, 2021 and 2020, the Company's repayment amount of long-term loan principal was \$1,100,000 thousand and \$3,393,000 thousand.

(b) Collateral for bank borrowings

Refer to note 8 for details on collateral pledged on secured bank borrowings.

(c) Low interest loan from government

The combined Company obtained low-interest bank loans in accordance with the "Action Plan for Welcoming Overseas Taiwanese Business to Return to Invest in Taiwan" in 2020. The actual repayment preferential interest rate is 0.75%~0.8%. As of March 31, 2021, December 31, 2020 and March 31, 2020, the actual amount of transfer amounted on \$887,110 thousand, \$881,310 thousand and \$764,000 thousand. The fair value of the loans was \$867,555 thousand, \$861,860 thousand and \$747,124 thousand based on the market interest rate of 1.25%~1.3%, and the difference of \$19,555 thousand, \$19,450 thousand and 16,876 thousand is regarded as the government subsidy and recognized as deferred income. As of three months ended March 31, 2021, the amount of the aforementioned deferred income transferred to "other income amounted to" amounted to \$991 thousand and \$0 thousand.

(d) Financial ratio agreement in loan contract

According to the provisions of the joint loan contract with the bank, the Combined Company shall calculate and maintain the agreed current ratio, debt ratio and minimum tangible net worth, and other financial ratios during the duration of the loan in accordance with the annual Consolidated Financial Statements verified by the accountant. If the aforementioned financial ratios do not meet the agreed standards, the Combined Company may submit an exemption application and improvement plan to the management bank in accordance with the provisions of the joint loan contract. Most syndicated lending banks do not regard it as a breach of contract until they reach a resolution.

The financial ratios of the Combined Company as of December 31, 2020 was in compliance with the agreed standards in the joint loan contract.

(14) Lease liabilities

The book value of the Combined Company's lease liabilities is as follows:

| | <u>March 31,</u> <u>2021</u> | <u>December</u> <u>31, 2020</u> | <u>March 31,</u> <u>2020</u> |
|---------------------|---------------------------------|------------------------------------|---------------------------------|
| Current: | | | |
| Related parties | \$ 90,788 | 82,289 | 80,763 |
| Non-related parties | \$ 2,350 | 2,626 | 3,170 |
| Non-current: | | | |
| Related parties | \$ 68,930 | 91,779 | 159,255 |
| Non-related parties | \$ 4,883 | 5,745 | 6,807 |

Please refer to note 6 (23) for the expiry analysis.

The amounts recognized in profit or loss were as follows:

| | <u>Three months ended March 31</u> | |
|---------------------------------------|------------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Short-term lease expense | \$ 1,113 | 327 |
| Interest expense of lease liabilities | \$ 816 | 1,223 |

The amounts in the statements of cash flows are as follows:

| | <u>Three months ended March 31</u> | |
|---------------------------|------------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Total cash flows on lease | \$ 17,099 | 24,443 |

(a) Lease of housings and buildings

The Combined Company leases houses and buildings as factories. The lease term of the plant is usually five years. If the lease expires, a new contract and price must be negotiated, the Combined Company will reassess the relevant right-of-use assets and lease liabilities.

(b) Other leases

The lease period for the part of the factory and automobiles that the Combined Company leases is one year. These leases are short-term leases. The Combined Company chooses to apply the exemption requirements and does not recognize its related right-of-use assets and lease liabilities.

(15) Operating leases - Leaser

There was no significant addition in the Company's operating lease contracts for the three months ended March 31, 2020 and 2019. Refer to Note 6(16) for the Consolidated Financial Statements for the year ended December 31, 2019 for the details.

(16) Employee benefits

(a) Defined benefit plans

Due to the report of December 31, 2020, 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, 2020 and 2019.

The expenses recognized were as follows:

| | Three months ended March 31 | |
|--------------------|------------------------------------|-------------|
| | 2021 | 2020 |
| Operating costs | \$ 10 | (11) |
| Operating expenses | (3) | 7 |
| | \$ 7 | (4) |

(b) Defined contribution plans

Pension expenses under the method of determining the appropriation of pensions are as follows:

| | Three months ended March 31 | |
|--------------------|------------------------------------|---------------|
| | 2021 | 2020 |
| Operating costs | \$ 11,902 | 9,607 |
| Operating expenses | 7,079 | 5,959 |
| | \$ 18,981 | 15,566 |

(17) Income taxes

(a) Income tax expenses:

| | Three months ended March 31, | |
|---------------------------|-------------------------------------|---------------|
| | 2021 | 2020 |
| Income tax for the period | \$ 46,115 | 11,956 |

(b) There was no income tax that was directly recognized in equity or other comprehensive profit or loss for the three months ended in March 31, 2021 and 2020.

(c) The ROC income tax authorities have examined the Company's income tax returns through 2018.

(d)

(18) Capital and other equity

(a) Common stock

As of March 31, 2021, December 31, 2020 and March 31, 2020, the total value of nominal common stocks amounted to NT\$ 4,000,000 thousand, with a par value of NT\$ 10 per share, consisting of 4,000,000 thousand shares issued. There were 320,675 thousand shares of ordinary shares already issued.

(b) Capital reserve

The details of capital surplus of the Combined Company were as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| Changes in net equity of associates accounted for using equity method | <u><u>\$ 11,428</u></u> | <u><u>11,427</u></u> | <u><u>11,441</u></u> |

In accordance with the Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. The aforementioned realized capital reserve includes capital reserve resulting from premium on issuance of capital stock and earnings from donated assets received. In accordance with the provisions of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be capitalized, and the combined amount of any portions capitalized may not exceed 10% of the paid-in capital each year.

(c) Retained earnings

According to the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, tax should be paid first to make up for previous losses, 10% of the statutory surplus reserve should be raised, and the special surplus reserve should be set aside or converted according to laws and regulations. If there is still surplus and accumulate undistributed surplus, the Board of Directors shall draft a surplus distribution plan and submit it to the shareholders meeting for resolution and distribution.

If the aforementioned profit distribution proposal is based on cash dividends, the Board of Directors shall be authorized to make a resolution and report to the shareholders meeting.

According to the Company's Articles of Incorporation, the Company is a technology- and capital-intensive industry that is in the midst of a growth period. In order to cooperate with long-term capital planning and meet shareholders' demand for cash flow, the Company's dividend policy adopts a residual dividend policy to improve the Company's growth and sustainable operation. If the Company has a surplus after the annual final accounts, it shall pay taxes in accordance with the regulations to make up for the previous losses. The 10% of the second increase is the statutory surplus reserve, and after the special surplus reserve is drawn or converted in accordance with the law. If there is still a surplus, the dividend distribution shall not be less than 10% of the aforementioned calculated surplus. When dividends are distributed, in order to consider the needs of future expansion of the scale of operations and cash flow, the proportion of annual cash dividends shall not be less than 10% of the combined cash and stock dividends of the current year.

(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

According to FSC No. 1010012865 dated April 6, 2002, when the Company distributes the distributable surplus, the net deduction of other shareholders' equity in the current year is reported, and the same amount of special surplus reserve is drawn from the current profit and loss and the undistributed surplus in the previous period; for the deduction of other shareholders' equity accumulated in the previous period, the same amount of special surplus reserve shall not be distributed from the undistributed surplus in the previous period. If other stockholders' equity deductions are reversed afterward, the reversal may be applicable for the appropriation of earnings.

(c) Earnings distribution

The distributions of earnings in 2019 were resolved at the shareholders' meetings on June 18, 2020 as follows:

| | 2019 | |
|---------------------------|-----------------------------|---------|
| | Earnings per share (TWD) | Amount |
| Dividends to shareholders | \$0.50 | 160,337 |

The distributions of cash dividends to shareholder in 2020 were determined by shareholder meeting as follows:

| | 2020 | |
|---------------------------|-----------------------------|---------|
| | Earnings per share (TWD) | Amount |
| Dividends to shareholders | \$0.70 | 224,472 |

Relevant information can be inquired through channels such as public information observatories

(d) Other equity (after tax)

| | Exchange differences arising on translation of financial statements of foreign operations | Remeasurement of defined welfare plan | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | Total |
|--|---|---------------------------------------|--|-----------------|
| January 1, 2021 | \$ (40,946) | (21,997) | (20,591) | (83,534) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| Consolidated company | 5,162 | - | - | 5,162 |
| Joint venture | (7,665) | - | - | (7,665) |
| Proceeds from the disposal of affiliated companies accounted for using equity method | - | - | 8,971 | 8,971 |
| Balance as of March 31, 2021 | <u>\$ (43,449)</u> | <u>(21,997)</u> | <u>(11,620)</u> | <u>(77,066)</u> |
| Balance as of January 1, 2020 | \$ (36,865) | (19,863) | 22,832 | (33,896) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| Consolidated company | (18,747) | - | - | (18,747) |
| Joint venture | (8,459) | - | - | (8,459) |
| Proceeds from the disposal of affiliated companies accounted for using equity method | - | - | (5,872) | (5,872) |
| Balance as of March 31, 2020 | <u>\$ (64,071)</u> | <u>(19,863)</u> | <u>16,960</u> | <u>(66,974)</u> |

(19) Earnings per share
(a) Basic earnings per share

| | Three months ended March 31 | |
|---|--------------------------------|---------|
| | 2021 | 2020 |
| Net profit attributable to holders of common equity of the Company | \$ 166,303 | 32,566 |
| The weighted average number of shares outstanding (thousand shares) | 320,675 | 320,675 |
| Basic earnings per share (in dollars) | \$ 0.52 | 0.10 |

(b) Diluted earnings per share

| | Three months ended March 31 | |
|---|-----------------------------|---------|
| | 2021 | 2020 |
| Net profit attributable to holders of common equity of the Company | \$ 166,303 | 32,566 |
| The weighted average number of shares outstanding (thousand shares) | 320,675 | 320,675 |
| Effect of potentially dilutive shares of common stocks (thousand shares) | | |
| Employee bonuses | 1,833 | 1,461 |
| The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact) | 322,508 | 322,136 |
| Diluted earnings per share (in dollars) | \$ 0.52 | 0.10 |

(20) Revenue from contracts with customers
(a) Disaggregation of revenue

| | Three months ended March 31, 2021 | | |
|------------------------------|-----------------------------------|----------------|------------------|
| | Film sheet segment | Others | Total |
| Primary geographical market: | | | |
| China | \$ 2,546,663 | 175,175 | 2,721,838 |
| Taiwan | 1,064,618 | 153,469 | 1,218,087 |
| Others | 83,124 | 53,233 | 136,357 |
| | \$ 3,694,405 | 381,877 | 4,076,282 |
| Major products/services: | | | |
| Optoelectronics | \$ 3,694,405 | - | 3,694,405 |
| Others | - | 381,877 | 381,877 |
| | \$ 3,694,405 | 381,877 | 4,076,282 |

| | Three months ended March 31, 2020 | | |
|------------------------------|--|----------------|------------------|
| | Film sheet segment | Others | Total |
| Primary geographical market: | | | |
| China | \$ 2,036,780 | 126,484 | 2,163,264 |
| Taiwan | 1,048,479 | 117,447 | 1,165,926 |
| Others | 40,678 | 73,738 | 114,416 |
| | \$ 3,125,937 | 317,669 | 3,443,606 |
| Major products/services: | | | |
| Optoelectronics | \$ 3,125,937 | - | 3,125,937 |
| Others | - | 317,669 | 317,669 |
| | \$ 3,125,937 | 317,669 | 3,443,606 |

(b) Contract balances

| | March 3, 2021 | December 31, 2020 | March 31, 2020 |
|--|--------------------------|------------------------------|---------------------------|
| Notes receivables and accounts receivables (including related parties) | \$ 2,403,954 | 2,374,348 | 1,968,823 |
| Deduction: Allowance for loss | (21,703) | (23,480) | (23,170) |
| Total | \$ 2,382,251 | 2,350,868 | 1,945,653 |

Refer to Note 6(4) for details on accounts receivable and related loss allowance.

(21) Employee and directors' compensation

According to the Company's Articles of Incorporation, if there is any profit in the year, 5-20% shall be allocated for employee compensation and no more than 1% for directors' compensation. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration. The employee compensation in the preceding paragraph may include employees of affiliated companies who meet certain conditions for the payment of stocks or cash.

For the three months ended March 31, 2021 and 2020, BenQ accrued the remuneration to employees amounting to \$23,582 thousand, and \$4,619 thousand, respectively, remuneration to directors amounting to \$1,769 thousand, and \$346 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 2020 and 2019, in the amounting to \$55,119 thousand and \$36,035 thousand, respectively, remuneration to directors amounting to \$4,134 thousand and \$2,703 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.

(22) Non-operating profit and loss

(a) Interest revenue

| | Three months ended March 31, 2021 | |
|----------------------------|--|-------------|
| | 2021 | 2020 |
| Interests on bank deposits | \$ 120 | 252 |

(b) Other Income

| | Three months ended March 31, 2021 | |
|----------------------------|--|-------------|
| | 2021 | 2020 |
| Government subsidy revenue | \$ 4,912 | 884 |

(c) Other gains and losses

| | Three month ended March 31 | |
|---|-----------------------------------|-----------------|
| | 2021 | 2020 |
| Disposal of real estate, plant and equipment interests (losses) | \$ 112 | - |
| Disposal of investments profits | (8,928) | - |
| Net foreign currency exchange losses | 144,186 | (17,512) |
| Net profits (losses) from financial assets (liabilities) measured at fair value through profits (losses) - Derivative instruments | (79,570) | (14,564) |
| Others | 1,841 | 2,435 |
| | \$ 57,641 | (29,641) |

(d) Finance costs

| | Three months ended March 31 | |
|--------------------------------|------------------------------------|-----------------|
| | 2021 | 2020 |
| Interest expense on bank loans | \$ (9,911) | (18,933) |
| Lease liabilities | (816) | (1,223) |
| | \$ (10,727) | (20,156) |

(23) Types of financial instruments and fair value

Except as described below, both the goals and policies of the Company's financial risk management and the Company's exposure to credit risk, liquidity risk and market risk were not materially different from those disclosed in Note 6(24), (25) of the consolidated financial statements for the year ended December 31, 2020.

(a) Types of financial instruments

1) Financial assets

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|--------------------------|-----------------------|
| Financial assets at fair value through profit or loss: | | | |
| Foreign currency forward contract | \$ 402 | 11,112 | 14,953 |
| Foreign exchange swaps | 4,243 | 7,146 | 1,669 |
| Subtotal | 4,645 | 18,258 | 16,622 |
| Financial assets at fair value through profit or loss | 72,180 | 59,309 | 95,360 |
| Financial assets at amortized cost: | | | |
| Cash and cash equivalents | 131,227 | 148,243 | 261,282 |
| Notes and accounts receivable and other receivables (including related parties) | 2,617,083 | 2,572,076 | 2,140,152 |
| Other financial assets - current | 8,978 | 15,836 | 5,132 |

| | | | |
|-------------------------|---------------------|------------------|------------------|
| Guarantee deposits paid | 15,801 | 13,930 | 14,289 |
| Subtotal | 2,773,089 | 2,750,085 | 2,420,855 |
| Total | <u>\$ 2,849,914</u> | <u>2,827,652</u> | <u>2,532,837</u> |

2) Financial liabilities

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------|----------------------|-------------------|
| Financial liabilities at fair value through profit or loss: | | | |
| Foreign currency forward contract | \$ 61,339 | 5,838 | 352 |
| Financial liabilities measured at amortized cost: | | | |
| Short-term borrowings | - | 150,000 | 23,800 |
| Notes and accounts payable and other payables (including related parties) | 4,481,232 | 4,617,207 | 4,005,254 |
| Long-term borrowings (including loans due within one year) | 1,681,310 | 1,614,624 | 2,064,000 |
| Lease liabilities – current and non-current (including related parties) | 166,951 | 182,439 | 249,995 |
| Guarantee deposit received | 20,679 | 21,187 | 22,313 |
| Subtotal | 6,350,172 | 6,585,457 | 6,365,362 |
| Total | <u>\$ 6,411,511</u> | <u>6,591,295</u> | <u>6,365,714</u> |

(b) Liquidity risk

Current risk refers to the risk that the Combined Company fails to deliver cash or other financial assets to pay off financial liabilities and fails to fulfill relevant obligations. The Combined Company regularly monitors current and expected medium and long-term funding needs, and manages liquidity risks by maintaining sufficient cash and cash equivalents and bank financing lines, and ensuring compliance with the terms of the loan contract.

The unused loan amounts of the Combined Company as of March 31, 2021, December 31, 2020 and March 31, 2019 totaled \$ 12,307.678 thousand, \$ 11,983,778 thousand and \$ 11,993,385 thousand, respectively.

The following table illustrates the analysis of the remaining contractual maturity of financial liabilities during the agreed repayment period of the Combined Company, including interest payable, which is based on the earliest date on which the Combined Company may be required to repay and is compiled with undiscounted cash flows.

| | Contractual cash flows | Within 6 months | 6-12 months | 1-5 years | More than 5 years |
|--|------------------------|------------------|---------------|------------------|-------------------|
| March 31, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Accounts payable (including related parties) | 3,413,207 | 3,413,207 | - | - | - |
| Other payables (including related parties) | 1,068,025 | 1,068,025 | - | - | - |
| Long-term borrowings (floating rate) | 1,760,670 | 8,548 | 8,464 | 1,374,484 | 369,174 |
| Lease liabilities (including related parties) | 168,558 | 47,682 | 46,452 | 74,424 | - |
| Guarantee deposit received | 20,679 | 3,614 | 871 | 16,034 | 160 |
| | <u>\$ 6,431,139</u> | <u>4,541,076</u> | <u>55,787</u> | <u>1,464,942</u> | <u>369,334</u> |
| Derivative financial instruments | | | | | |
| Foreign currency forward contracts - Total delivery: | | | | | |
| Inflow | \$ (1,593,993) | (1,593,993) | - | - | - |
| Outflow | 1,654,930 | 1,654,930 | - | - | - |
| Foreign exchange swaps - Net delivery | (4,243) | (4,243) | - | - | - |
| | <u>\$ 56,694</u> | <u>56,694</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(continued)

| | Contractual cash flows | Within 6 months | 6-12 months | 1-5 years | More than 5 years |
|--|-------------------------------|------------------------|--------------------|------------------|--------------------------|
| December 31, 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | \$ 151,052 | 617 | 150,435 | - | - |
| Accounts payable (including related parties) | 3,451,227 | 3,451,227 | - | - | - |
| Other payables (including related parties) | 1,165,980 | 1,165,980 | - | - | - |
| Long-term borrowings (floating rate) | 1,692,558 | 8,059 | 8,155 | 1,310,787 | 365,557 |
| Lease liabilities (including related parties) | 186,104 | 39,854 | 47,708 | 98,542 | - |
| Guarantee deposit received | 21,187 | 4,074 | 912 | 15,981 | 220 |
| | \$ 6,668,108 | 4,669,811 | 207,210 | 1,425,310 | 365,777 |
| Derivative financial instruments | | | | | |
| Foreign currency forward contracts - Total delivery: | | | | | |
| Inflow | \$ (1,878,274) | (1,878,274) | - | - | - |
| Outflow | 1,873,000 | 1,873,000 | - | - | - |
| Foreign exchange swaps - Net delivery | (7,146) | (7,146) | - | - | - |
| | \$ (12,420) | (12,420) | - | - | - |
| March 31, 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | \$ 23,844 | 23,844 | - | - | - |
| Accounts payable (including related parties) | 3,023,862 | 3,022,117 | 1,745 | - | - |
| Other payables (including related parties) | 981,392 | 981,392 | - | - | - |
| Long-term borrowings (including loans due within one year) (floating rate) | 2,155,574 | 12,346 | 12,182 | 1,707,920 | 423,126 |
| Lease liabilities (including related parties) | 256,686 | 39,961 | 47,838 | 168,887 | - |
| Guarantee deposit received | 22,313 | 2,697 | 988 | 18,353 | 275 |
| | \$ 6,463,671 | 4,082,357 | 62,753 | 1,895,160 | 423,401 |
| Derivative financial instruments | | | | | |
| Foreign currency forward contracts - Total delivery: | | | | | |
| Inflow | \$ (1,506,496) | (1,506,496) | - | - | - |
| Outflow | 1,491,895 | 1,491,895 | - | - | - |
| Foreign exchange swaps - Net delivery | (1,669) | (669) | - | - | - |
| | \$ (16,270) | (16,270) | - | - | - |

The Combined Company does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

(c) Exchange rate risk

The exchange rate risk of the Combined Company mainly comes from foreign currency denominated cash and cash equivalents, accounts receivable (payment) (including related parties), other receivables (payments) (including related parties), bank loans, etc. Foreign currency exchange gains and losses occur at the time of conversion. The book values of major monetary assets and liabilities of the Combined Company that are not denominated in functional currencies at the reporting date are as follows (including monetary items denominated in non-functional currencies that have been offset in the Consolidated Financial Statements):

| Currency Unit: NT\$ Thousand | | | | | |
|------------------------------|-------------------------|----------------------|--------------------------|------------------------------|-------------------------------|
| March 31, 2021 | | | | | |
| | Foreign currency | Exchange rate | New Taiwan Dollar | Exchange rate changes | Profit and loss impact |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | \$ 96,708 | 28,530 | 2,759,079 | 1% | 27,591 |
| JPY | 84,625 | 0.2579 | 21,825 | 1% | 218 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 45,078 | 28,530 | 1,286,075 | 1% | 12,861 |
| JPY | 7,974,655 | 0.2579 | 2,056,664 | 1% | 20,567 |

| December 31, 2020 | | | | | |
|------------------------------|-----------------------------|--------------------------|----------------------------------|--------------------------------------|---------------------------------------|
| | Foreign currency | Exchange rate | New Taiwan Dollar | Exchange rate changes | Profit and loss impact |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | \$ 92,367 | 28,350 | 2,618,604 | 1% | 26,186 |
| JPY | 102,723 | 0.2749 | 28,239 | 1% | 282 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 36,787 | 28,350 | 1,042,911 | 1% | 10,429 |
| JPY | 7,228,465 | 0.2749 | 1,987,105 | 1% | 19,871 |
| March 31, 2020 | | | | | |
| | Foreign currency | Exchange rate | New Taiwan Dollar | Exchange rate changes | Profit and loss impact |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | \$ 69,555 | 30,254 | 2,104,317 | 1% | 21,043 |
| JPY | 71,070 | 0.2794 | 19,857 | 1% | 199 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 33,472 | 30,254 | 1,012,662 | 1% | 10,127 |
| JPY | 6,089,835 | 0.2794 | 1,701,500 | 1% | 17,015 |

As the Company deal in diverse functional currencies, gains and losses on monetary items were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the three months ended March 31, 2021 and 2020, were \$144,186 thousand, and \$(17,512) thousand, respectively.

(d) Fair value information

1) Financial instruments not measured at fair value

The management of the Combined Company believes that the financial assets and financial liabilities of the Combined Company classified as amortized cost is close to their fair value in the Consolidated Financial Statements.

2) Financial instruments measured at fair value

The following financial instruments are measured at fair value on the basis of repeatability. The table below provides an analysis of financial instruments measured subsequent to initial recognition at fair value, which are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Each level of the fair value hierarchy is defined as follows:

- a. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- b. Level 2: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c. Level 3: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2021

| | Carrying amount | Fair Value | | | Total |
|--|-----------------|------------|---------------|--------------|---------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at FVTPL: | | | | | |
| Foreign currency forward contracts | \$ 402 | - | 402 | - | 402 |
| Foreign exchange swaps | 4,243 | - | 4,243 | - | 4,243 |
| | <u>\$ 4,645</u> | <u>-</u> | <u>4,645</u> | <u>-</u> | <u>4,645</u> |
| Financial liabilities at FVTPL: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | \$ 66,780 | - | 66,780 | - | 66,780 |
| Non-listed Stocks | 5,400 | - | - | 5,400 | 5,400 |
| | <u>72,180</u> | <u>-</u> | <u>66,780</u> | <u>5,400</u> | <u>72,180</u> |
| Financial assets at FVTPL: | | | | | |
| Foreign currency forward contracts | \$ (61,339) | - | (61,339) | - | (61,339) |

December 31, 2020

| | Carrying amount | Fair Value | | | Total |
|--|------------------|------------|---------------|--------------|---------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at FVTPL: | | | | | |
| Foreign currency forward contract | \$ 11,112 | - | 11,112 | - | 11,112 |
| Foreign exchange swaps | 7,146 | - | 7,146 | - | 7,146 |
| | <u>\$ 18,258</u> | <u>-</u> | <u>18,258</u> | <u>-</u> | <u>18,258</u> |
| Financial assets at FVTPL: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | \$ 57,809 | - | 57,809 | - | 57,809 |
| Non-listed stocks | 1,500 | - | - | 1,500 | 1,500 |
| | <u>59,309</u> | <u>-</u> | <u>57,809</u> | <u>1,500</u> | <u>59,309</u> |
| Financial liabilities at FVTPL: | | | | | |
| Foreign currency forward contract | \$ (5,838) | - | (5,838) | - | (5,838) |

March 31, 2020

| | Carrying amount | Fair Value | | | Total |
|--|------------------|------------|---------------|----------|---------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at FVTPL: | | | | | |
| Foreign currency forward Contract | \$ 14,953 | - | 14,953 | - | 14,953 |
| Foreign exchange swaps | 1,669 | - | 1,669 | - | 1,669 |
| | <u>\$ 16,622</u> | <u>-</u> | <u>16,622</u> | <u>-</u> | <u>16,622</u> |
| Financial liabilities at FVTPL: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | \$ 95,360 | - | 95,360 | - | 95,360 |
| Financial liabilities at FVTPL: | | | | | |
| Foreign currency forward contract | \$ (352) | - | (352) | - | (352) |

(e) The assessment methods and assumptions followed for assessing fair value

1) Non-derivative financial instruments

If there is open quotation to financial instruments at active market, then the open quotation will be taken as fair value.

If the public quotation of a financial instrument can be obtained from an exchange, broker, underwriter, industry association, pricing service agency or competent authority in a timely and frequent manner, and the price represents the actual and regular fair market transactions, then the financial instrument has an active market quotation. If the aforesaid conditions fail, the market is not deemed as active.

The fair value of the domestic stocks held by the Combined Company is estimated based on the average transaction price of the stock market on the day.

The fair value of the Combined Company's holding of unlisted stocks for which no active market exists is estimated by using the market approach, which refers to the valuation of similar entities, the net worth of an entity and the operating performance. In addition, the significant unobservable inputs mainly comprise liquidity discount, in which the possible changes would not result in a potentially material financial effect. Therefore, the Company does not disclose the quantitative information.

2) Derivative financial instruments

It is evaluated with evaluation model widely accepted by market users. Forward exchange contracts and exchange contracts are usually valued based on current forward exchange rates.

(f) Fair value level and transfer

The Combined Company did not have any financial assets and liabilities transferred in the fair value hierarchy for the three months ended in March 31, 2021 and 2020.

(g) Level 3 sheet of changes

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

| | Three months ended March 31 | |
|---|-----------------------------|----------|
| | 2021 | 2020 |
| Beginning balances | \$ 1,500 | - |
| Purchase for the period | 3,900 | - |
| Changes in other comprehensive profit and loss recognized in the current period | - | - |
| Ending balances | <u>\$ 5,400</u> | <u>-</u> |

(24) Financial risk management

Both the goals and policies of the Company's financial risk management were not materially different from those disclosed in Note 6(25) of the consolidated financial statements for the year ended December 31, 2020.

(25) 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, 2020. Refer to note 6(26) for the consolidated financial statements for the year ended December 31, 2020 for the relevant information.

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

(a) Refer to Note 6(9) for The Company acquired the right-of-use assets by lease for the three months ended March 31, 2021 and 2020.

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

| | January 1, 2021 | Cash flows | Changes in non-cash | | March 31, 2021 |
|---|---------------------|-----------------|---------------------|-----------------------|------------------|
| | | | Amendment lease | Assessment adjustment | |
| Short-term borrowings | \$ 150,000 | (150,000) | - | - | - |
| Long-term borrowings | 1,614,624 | 65,800 | - | 886 | 1,681,310 |
| Guarantee deposit received | 21,187 | (508) | - | - | 20,679 |
| Lease liabilities (including related parties) | 182,439 | (15,170) | (318) | - | 166,951 |
| Total liabilities from financing activities | <u>\$ 1,968,250</u> | <u>(99,878)</u> | <u>(318)</u> | <u>886</u> | <u>1,868,940</u> |

| | January 1, 2020 | Cash flows | Changes in non-cash | | March 31, 2020 |
|---|---------------------|-----------------|---------------------|-----------------------|------------------|
| | | | Amendment lease | Assessment adjustment | |
| Short-term borrowings | \$ 56,800 | (33,000) | - | - | 23,800 |
| Long-term borrowings | 1,993,000 | 71,000 | - | - | 2,064,000 |
| Guarantee deposit received | 22,556 | (243) | - | - | 22,313 |
| Lease liabilities (including related parties) | 272,888 | (22,893) | - | - | 249,995 |
| Total liabilities from financing activities | <u>\$ 2,345,244</u> | <u>(14,864)</u> | <u>-</u> | <u>-</u> | <u>2,360,108</u> |

7. Related-party Transactions

(1) 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 |
| MLK Bioscience Co., Ltd | 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 |
| AUO Display Plus Corp. | Subsidiary 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 |
| ADVTEK International Corp. | Subsidiary of Qisda |
| GINNET Information Co., Ltd | Subsidiary of Qisda |
| CENS Technology Co., Ltd | Subsidiary of Qisda |

(2) The Company's significant related party transactions

(a) Operating income

| | Three months ended March 31 | |
|------------------------|------------------------------------|------------------|
| | 2021 | 2020 |
| Other related parties: | | |
| AU | \$ 939,060 | 996,280 |
| AUS | 293,463 | 318,568 |
| AUX | 208,621 | 131,611 |
| Others | 4,369 | 1,676 |
| Joint ventures | 30,702 | 17,417 |
| Parent | 21 | 57 |
| | \$ 1,476,236 | 1,465,609 |

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 March 31 | |
|----------------|------------------------------------|---------------|
| | 2021 | 2020 |
| Joint ventures | \$104,659 | 26,480 |

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) Property transaction

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

| Related-party categories | Account | Three months ended March 31 | |
|---------------------------------|-------------------|------------------------------------|--------------|
| | | 2021 | 2020 |
| Parent | Intangible assets | \$ 982 | 1,535 |
| Other related parties | Intangible assets | 3,288 | 3,453 |
| | | \$ 4,270 | 4,988 |

(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 March 31, 2021, and 2020, amounted to \$782 thousand, and 1,176 thousand. As of March 31, 2021, December 31, 2020 and March 31, 2020, the lease liabilities amounted to \$159,718 thousand, \$174,068 thousand and \$240,018 thousand.

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

| | Three months ended March 31 | |
|-----------------------|-----------------------------|------------|
| | 2021 | 2020 |
| Other related parties | <u>\$ 541</u> | <u>419</u> |

(e) Accounts receivable – related parties

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

| Account | Related-party categories | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|--------------------------------|-------------------|-------------------|----------------|
| Net accounts receivable – related parties | Other related Parties – AU | \$ 531,018 | 694,443 | 97,406 |
| | Other related Parties - AUX | 147,177 | 141,989 | 61,691 |
| | Other related Parties - AUS | 84,303 | 83,116 | 30,210 |
| | Other related Parties - others | 6,569 | 16,265 | 3,013 |
| | Joint ventures | 30,886 | 18,632 | 17,796 |
| | Sub Total | 799,953 | 954,445 | 210,116 |
| Other receivables – related parties | Other related parties | 75 | 55 | 68 |
| | | <u>\$ 800,028</u> | <u>954,500</u> | <u>210,184</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:

| March 31, 2021 | | | | | | |
|------------------------------------|---------------------|-----------------------------|----------------|---|-------------------------|-------------------------|
| 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 | \$ 591,134 | - | 532,020 | 59,114 | 1.05% | Promissory note 150,000 |
| Chinatrust Commercial Bank | 435,242 | - | 391,573 | 43,669 | 0.95%~1.00% | Promissory note 51,354 |
| | <u>\$ 1,026,376</u> | <u>-</u> | <u>923,593</u> | <u>102,783</u> | | <u>201,354</u> |

December 31, 2020

| <u>Underwriting bank</u> | <u>Factored amount</u> | <u>Amount of advance available</u> | <u>Advance amount</u> | <u>Amount transferred to other accounts receivable (Note 6(5))</u> | <u>Range of interest rates</u> | <u>Other important matters</u> |
|------------------------------------|------------------------|------------------------------------|-----------------------|--|--------------------------------|--------------------------------|
| Mega International Commercial Bank | \$ 423,739 | - | 379,786 | 43,953 | 1.05% | Promissory note 150,000 |
| Chinatrust Commercial Bank | 293,008 | - | 263,408 | 29,600 | 1.00% | Promissory note 51,030 |
| | <u>\$ 716,747</u> | <u>-</u> | <u>643,194</u> | <u>73,553</u> | | <u>201,030</u> |

March 31, 2020

| <u>Underwriting bank</u> | <u>Factored amount</u> | <u>Amount of advance available</u> | <u>Advance amount</u> | <u>Amount transferred to other accounts receivable (Note 6(5))</u> | <u>Range of interest rates</u> | <u>Other important matters</u> |
|------------------------------------|------------------------|------------------------------------|-----------------------|--|--------------------------------|--------------------------------|
| Mega International Commercial Bank | \$ 956,261 | - | 860,604 | 95,657 | 1.98%~2.96% | Promissory note 150,000 |
| Chinatrust Commercial Bank | 467,057 | - | 419,707 | 47,350 | 2.00%~3.20% | Promissory note 54,457 |
| | <u>\$ 1,423,318</u> | <u>-</u> | <u>1,280,311</u> | <u>143,007</u> | | <u>204,457</u> |

(f) Accounts payable – related parties

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

| <u>Account</u> | <u>Related-party categories</u> | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|------------------------------------|---------------------------------|-----------------------|--------------------------|-----------------------|
| Accounts payable – related parties | Joint ventures | \$ 78,759 | 29,766 | 12,954 |
| | Other related Parties | - | - | 24 |
| | Subtotal | <u>78,759</u> | <u>29,766</u> | <u>12,978</u> |
| Other payables – related parties | Other related Parties | 17,985 | 16,180 | 15,955 |
| | Parent | 2,696 | - | 1,535 |
| | Joint venture | 74 | 38 | 116 |
| | Subtotal | <u>20,755</u> | <u>16,218</u> | <u>17,606</u> |
| | | <u>\$ 99,514</u> | <u>45,984</u> | <u>30,584</u> |

(3) Compensation of major managerial personnel for key management personnel

| | <u>Three months ended March 31</u> | |
|---|------------------------------------|---------------|
| | <u>2021</u> | <u>2020</u> |
| Short-term employee benefits and compensation | \$ 14,631 | 10,423 |
| Retirement benefits | 81 | 81 |
| | <u>\$ 14,712</u> | <u>10,504</u> |

8. Pledged assets

The details of the carrying value of pledged by the Combined Company were as follows:

| <u>Assets name</u> | <u>Purpose of pledge</u> | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|--|----------------------------|---------------------------|------------------------------|---------------------------|
| Land, buildings and structures | Long-term borrowings | \$ 644,977 | 650,368 | 692,897 |
| Other assets – current – deposit certification | Customs deposits | - | 10,668 | - |
| Other assets – current – deposit certification | Letter of credit guarantee | 2,971 | 198 | - |
| | | <u>\$ 647,948</u> | <u>661,234</u> | <u>692,897</u> |

9. Material contingent liabilities and unrecognized contractual commitments

Significant unrecognized contract commitments:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|--|---------------------------|------------------------------|---------------------------|
| Unused letters of credit issued | \$ 990,990 | 933,883 | 1,041,469 |
| Signed and unpaid major engineering and equipment payments | 293,293 | 205,457 | 161,528 |

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

(1) The function of employee benefits, depreciation, depletion and amortization expenses and summarized as follows:

| Function Nature | Three months ended March 31 | | | | | |
|--------------------------------------|-----------------------------|--------------------|---------|-----------------|--------------------|---------|
| | 2021 | | | 2020 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses: | | | | | | |
| Salaries and wages | 350,644 | 171,147 | 521,791 | 277,810 | 146,122 | 423,932 |
| Labor and national health insurances | 27,310 | 12,646 | 39,956 | 22,159 | 10,580 | 32,739 |
| Retirement benefits | 11,912 | 7,076 | 18,988 | 9,596 | 5,966 | 15,562 |
| Other employee benefits | 18,599 | 5,780 | 24,379 | 16,686 | 5,665 | 22,351 |
| Depreciation | 117,513 | 19,755 | 137,268 | 132,349 | 16,810 | 149,159 |
| Amortization | 3,399 | 7,191 | 10,590 | 3,971 | 6,201 | 10,172 |

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

BENQ MATERIALS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

13. Additional disclosures

(1) Information on significant transactions:

For the three months ended March 31, 2021, the Company should disclose relevant information on significant transactions in accordance with preparation of financial reports:

(a) Financing provided to other parties:

(Unit: NT\$ thousand)

| No. | Creditor | Borrower | General ledger account | Related party | Maximum balance during the period | Ending balance | Amount Actually Drawn | Interest rate | Nature of loan (note2) | Transaction amounts | Reason for short-term financing | Allowance for bad debt | Collateral item value | | Financing limits for each borrowing company | Financing company's total financing amount limits |
|-----|--------------|--|-----------------------------------|---------------|-----------------------------------|---------------------------|-------------------------|---------------|------------------------|---------------------|---------------------------------|------------------------|-----------------------|-------|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | BMS (note 1) | BenQ Material (Wuhu) Co., Ltd. | Other receivables-related parties | Yes | 1,149,014 (RMB265,000) | 1,149,014 (RMB265,000) | 864,145 (RMB199,300) | 1.3% | 2 | - | Business operating | - | | | 1,892,589 | 1,892,589 |
| 2 | BMS (note 1) | BenQ Materials Medical Supplies (Suzhou) Co., Ltd. | Other receivables-related parties | Yes | 130,077 (RMB30,000) | 130,077 (RMB30,000) | 30,351 (RMB7,000) | 1.3% | 2 | - | Business operating | - | | | 1,892,589 | 1,892,589 |
| 3 | BMS (note 1) | Suzhou Sigma Medical Supply Co., Ltd. | Other receivables-related parties | Yes | 86,718 (RMB20,000) | 86,718 (RMB20,000) | 26,015 (RMB6,000) | 1.3% | 2 | - | Business operating | - | | | 1,892,589 | 1,892,589 |

(Note 1): The total amount of the BMS fund loan and the 100%-owned subsidiary of the ultimate parent company and the fund loan and limit for individual objects are the net value of the latest financial statement of BMS with the certificate of accountant.

(Note 2): Those who have business dealings with the nature of capital loans are 1, and 2 for those who require short-term financing.

(Note 3): It has already been written off during compilation of the Consolidated Financial Statements.

(b) Endorsements and guarantees provided for others: None.

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

| Name of company held | Marketable securities of type and name | Relationship with the securities issuer | Listed accounts | As of March 31, 2021 | | | | Note |
|----------------------|--|---|---|----------------------|-----------------|---------------|------------|------|
| | | | | 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 | 1,680 | 66,780 | 5.25% | 66,780 | |
| BenQ | Stock: Kangde Corporation | - | Financial assets at fair value through other comprehensive profit or loss | 150 | 1,500 | 11.03% | 1,500 | |
| BenQ | Stock: Yilelafa Corporation | - | Financial assets at fair value through other comprehensive profit or loss | 300 | 3,000 | 6.52% | 3,000 | |
| BenQ | Stock: Juncheng Corporation | - | Financial assets at fair value through other comprehensive profit or loss | 30 | 900 | 0.41% | 900 | |

(Note): It was recognized in full as impairment losses.

- (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 | 939,060 | 23% | OA90 | (Note 1) | (Note 3) | 531,018 | 21% | - |
| BenQ | AUS | Other related party | Sales | 293,463 | 7% | OA90 | " | " | 147,177 | 6% | - |
| BenQ | AUX | Other related party | Sales | 208,621 | 5% | OA90 | " | " | 84,303 | 3% | - |
| BenQ | BMM | Subsidiary | Sales | 125,754 | 3% | OA120 | " | " | 206,985 | 8% | (Note 4) |
| BenQ | BMS | Subsidiary | Purchases | (187,556) | 5% | OA90 | (Note 2) | " | (108,313) | 3% | (Note 4) |
| BenQ | Visco Vision | Joint ventures | Purchases | (104,595) | 3% | OA30 | " | " | (78,759) | 2% | - |

(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 of March 31, 2021 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|------------------------|---------------|-------------------------------------|------------------------------|---------------|---------------------|--------------|---|---------------------------------|
| | | | | | Amount | Action taken | | |
| BenQ | AUO | Other related parties | 531,018 | 3.35 | - | - | - | - |
| BenQ | AUS | Other related parties | 147,177 | 3.29 | - | - | - | - |
| BMS (Note 2) | BenQ | Subsidiary | 108,313 | 8.25 | - | - | - | - |
| BenQ (Note 2) | BMM | Subsidiary | 206,985 | 3.44 | - | - | - | - |
| Sigma-Medical (Note 2) | BenQ | Subsidiary | 146,515 | 0.31 | - | - | - | - |

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

(Note 2): 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 | BMM | 1 | Sales | 125,754 | OA120 | 3.09% |
| 1 | BenQ | BMM | 1 | Accounts receivable | 206,985 | OA120 | 1.86% |
| 2 | BMW | BenQ | 2 | Sales | 40,979 | OA90 | 1.01% |
| 2 | BMW | BenQ | 2 | Accounts receivable | 14,879 | OA90 | 0.13% |
| 3 | BMS | BenQ | 2 | Revenues of conversion | 187,556 | OA90 | 4.60% |
| 3 | BMS | BenQ | 2 | Accounts receivable | 108,313 | OA90 | 0.98% |
| 4 | Sigma-Medical | BenQ | 2 | Sales | 11,192 | OA90 | 0.27% |
| 4 | Sigma-Medical | BenQ | 2 | Accounts receivable | 146,515 | OA90 | 1.32% |

(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 three months ended March 31, 2021 (excluding investees in China):

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at March 31, 2021 | | | Net profit (loss) of the investee for the current period | Investment income (loss) recognized for the period | Footnote |
|----------|----------------------------|----------|---|------------------------------|---------------------------------|----------------------------------|---------------|-----------------|--|--|----------|
| | | | | Balance as at March 31, 2021 | Balance as at December 31, 2020 | Number of shares | Ownership (%) | Carrying amount | | | |
| BenQ | BMLB | Malaysia | Investment holding | 1,141,340 | 1,141,340 | 35,082 | 100.00% | 1,519,242 | 10,832 | 10,832 | (Note 1) |
| BenQ | SGM | Taiwan | Manufacture and sales of medical consumables and equipment | 560,000 | 560,000 | 40,000 | 100.00% | 417,000 | (35,013) | (34,970) | (Note 1) |
| BenQ | Visco Vision | Taiwan | Manufacture and sales of contact lenses | 177,811 | 177,811 | 9,834 | 17.97% | 174,097 | 93,395 | 13,530 | |
| BenQ | CENEFOM | Taiwan | R&D, Manufacture and sales of medical consumables and equipment | 29,127 | 29,127 | 1,095 | 12.12% | 12,527 | (5,043) | (611) | |
| BenQ | Taikei | Taiwan | R&D, Manufacture and sales of medical consumables and equipmen | - | 10,001 | - | - | - | (3,469) | (694) | |
| BenQ | Bution International Corp. | Taiwan | R&D, Manufacture and sales of medical consumables and equipmen | 6,000 | 6,000 | 217 | 20.00% | 5,630 | (1,273) | (255) | |

(Note 1): The transactions have been eliminated when preparing the 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, 2021 | Amount remitted from Taiwan or amount remitted back to Taiwan for the current period | | Accumulated amount of remittance from Taiwan as of March 31, 2021 | Net income of investee for the current period | Ownership held by BenQ (direct or indirect) | Investment income (loss) recognized for the current period | Carrying amount of investments as of March 31, 2021 | Footnote |
|--|--|------------------------|----------------------------|--|--|-------------------------|---|---|---|--|---|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| BenQ Material Co., Ltd. ("BMS") | Manufacture of optoelectronics | 827,370 (USD29,000) | (3) | 827,370 (USD29,000) | - | - | 827,370 (USD29,000) | (2,750) | 100.00% | (2,750) (Note 2) | 1,892,589 (Note 4) | - |
| Daxon Biomedical (Suzhou) Co., Ltd. (DTB) | Sales of medical consumables and equipment | 47,695 (RMB11,000) | (2) | - | - | - | - | 3,733 | 100.00% | 3,733 (Note 2) | (4,543) (Note 4) | - |
| BenQ Materials (Wuhu) Co., Ltd | Manufacture and sales of optoelectronics and cosmetics | 346,872 (RMB80,000) | (3) | 173,436 (RMB40,000) | - | - | 173,436 (RMB40,000) (Note 3) | 19,806 | 100.00% | 19,053 (Note 2) | (390,865) (Note 4) | - |
| BenQ Materials Medical (Suzhou) Co., Ltd. (BMM) | Manufacture and sales of medical consumables and equipment | 65,039 (RMB15,000) | (2) | - | - | - | - | (9,204) | 100.00% | (9,204) (Note 2) | 47,606 (Note 4) | - |
| Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ") | Manufacture and sales of medical consumables and equipment | 45,420 (USD1,592) | (1) | 45,420 (USD1,592) | - | - | 45,420 (USD1,592) | (482) | 100.00% | (482) (Note 2) | 29,763 (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.

(b) Limits on investments in Mainland China:

(Unit: NT\$ thousand)

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment by Investment Commission, MOEA |
|---------------------|--|---|---|
| BenQ | 1,000,806 (USD29,000 and RMB40,000) | 1,113,323 (USD29,000 and RMB65,950) | (Note) |
| SGM | 45,420 (USD1,592) | 45,420 (USD1,592) | 185,344 |

The above amounts were translated into NTD at the exchange rate of USD/NTD28.530 and RMB/NTD4.3359.

(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 three months ended March 31, 2021, please refer to “Information on significant transactions” for the details.

(4) Major shareholders information

| Name | Shares | 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.

14. Segment information

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

| | Three months ended March 31, 2021 | | | |
|--|--|----------------|---|-------------------|
| | optoelectronics | Others | Adjustments and Eliminations | Total |
| External revenue | \$ 3,694,405 | 381,877 | - | 4,076,282 |
| Intra-segment revenue | - | - | - | - |
| Total revenue | <u>\$ 3,694,405</u> | <u>381,877</u> | <u>-</u> | <u>4,076,282</u> |
| Segment (loss) profit | <u>\$ 152,835</u> | <u>1,498</u> | <u>-</u> | 154,333 |
| Shares of interests of related companies recognized by the equity method | | | | 11,970 |
| Net profit after tax | | | | <u>\$ 166,303</u> |

| | Three months ended March 31, 2020 | | | |
|--|--|----------------|---|------------------|
| | optoelectronics | Others | Adjustments and Eliminations | Total |
| External revenue | \$ 3,125,937 | 317,669 | - | 3,443,606 |
| Intra-segment revenue | - | - | - | - |
| Total revenue | <u>\$ 3,125,937</u> | <u>317,669</u> | <u>-</u> | <u>3,443,606</u> |
| Segment profit | <u>\$ 22,076</u> | <u>137</u> | <u>-</u> | 22,213 |
| Shares of interests of related companies recognized by the equity method | | | | 10,353 |
| Net profit after tax | | | | <u>\$ 32,566</u> |

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