

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020 and Independent Auditors' Review Report

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. NOT AUDITED OR REVIEWED BY AUDITORS. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of BenQ Materials Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of BenQ Materials Corp. and its subsidiaries as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020, and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 No.65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of 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 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 (8), the equity accounted investments of BenQ Materials Corp. and its subsidiaries in the investee companies amounted to \$181,486 thousand and \$190,389 thousand as of June 30, 2021 and 2020, respectively, as well as the equity in net earnings on the joint ventures using the equity method of \$5,951 thousand, \$11,144 thousand, \$17,921 thousand and \$21,497 thousand for the three months ended June 30, 2021 and 2020, and for the six months ended June 30, 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 June 30, 2021 and 2020, and the consolidated financial performance for the three months ended June 30, 2021 and 2020, and for the six months ended June 30, 2021 and 2020, and the consolidated cash flows for the six months ended June 30, 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

Philips, Tang

CPA:

Steven, Shih

Approved audit number: FSC (6) No. 0940100754

Approved audit number: FSC (6) No. 0950103298

August 5th, 2021

Review only, not audited in accordance with generally accepted auditing standards as of June 30, 2021 and 2020

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2021, December 31, 2020 and June 30, 2020

(Unit: NT\$ thousand)

	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)			June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets							Liabilities and Equity						
Current assets:							Current liabilities:						
1100 Cash and cash equivalents (Note 6 (1))	\$ 148,676	1	148,243	1	149,074	1	2100 Short-term borrowings (Note 6 (13))	\$ -	-	150,000	1	50,979	-
1110 Financial assets at fair value through profit or loss – Current (Note 6 (2))	1,222	-	18,258	-	6,943	-	2120 Financial liabilities at fair value through Profit or loss – Current (Note 6 (2))	12,539	-	5,838	-	8,165	-
1120 Financial assets at fair value through other comprehensive income - Current (Note 6 (3))	62,009	1	57,809	-	91,200	1	2170 Accounts payable	3,122,285	28	3,421,461	31	2,901,555	27
1170 Notes receivable, net account (Note 6 (4) (21))	1,949,076	17	1,396,423	13	1,925,329	18	2180 Accounts payable to related parties (Note 7)	20,549	-	29,766	-	69,540	1
1180 Accounts receivable - Related parties, net amount (Note 6 (4) (21) and 7)	728,903	7	954,445	9	87,621	1	2200 Other payables (Note 6 (22))	1,363,880	12	1,183,091	11	996,347	10
1200 Other receivables (Note 6 (4) (5))	176,287	2	221,153	2	196,813	2	2216 Dividends payable (Note 6 (19) and 7)	224,472	2	-	-	160,337	2
1210 Other receivable - Related parties (Note 6 (5) and 7)	10,886	-	55	-	28,428	-	2220 Other payables – Related parties (Note 7)	32,158	-	16,218	-	10,699	-
1310 Inventories net (Note 6 (6))	2,283,773	20	2,404,889	22	2,004,076	20	2281 Lease liabilities – Current (Note 6 (15))	3,205	-	2,626	-	2,869	-
1470 Other current assets	307,160	3	334,982	3	350,573	3	2282 Lease liabilities – Related parties – Current (Note 6 (15) and 7)	91,162	1	82,289	1	81,485	1
1476 Other financial assets – Current (Note 8)	8,337	-	15,836	-	4,981	-	2399 Other current liabilities	69,095	1	79,570	1	77,947	1
1461 Non-current assets held for sale (Note 6 (7))	163,909	1	-	-	-	-	Total current liabilities	<u>4,939,345</u>	<u>44</u>	<u>4,970,859</u>	<u>45</u>	<u>4,359,923</u>	<u>42</u>
Total current assets	<u>5,840,238</u>	<u>52</u>	<u>5,552,093</u>	<u>50</u>	<u>4,845,038</u>	<u>46</u>	Non-current liabilities						
Noncurrent assets:							2540 Long-term borrowings (Note 6 (14) and 8)	1,672,297	15	1,614,624	15	1,910,250	19
1517 Financial assets at fair value through other comprehensive income – Non-current (Note 6 (3))	9,728	-	1,500	-	1,500	-	2570 Deferred tax liabilities	6,202	-	7,018	-	5,930	-
1550 Investment accounted for using equity method (Note 6 (8))	181,486	2	196,876	2	190,389	2	2581 Lease liabilities – Non-current (Note 6 (15))	12,786	-	5,745	-	6,283	-
1600 Real estate, plant, and equipment (Note 6 (9) and 8)	4,296,033	38	4,349,216	39	4,324,488	42	2582 Lease liabilities – Related parties - Non-current (Note (15) and 7)	46,011	-	91,779	1	137,173	1
1755 Right-of-use asset (Note 6 (10))	187,318	2	221,590	2	262,544	3	2600 Other non-current liabilities (Note 6 (14))	48,453	1	46,651	-	26,351	-
1760 Net Investment property (Note 6 (11))	441,436	4	457,097	4	450,841	4	Total non-current liabilities	<u>1,785,749</u>	<u>16</u>	<u>1,765,817</u>	<u>16</u>	<u>2,085,987</u>	<u>20</u>
1780 Intangible assets (Note 6 (12) and 7)	38,691	-	34,254	-	38,312	-	Total liabilities	<u>6,725,094</u>	<u>60</u>	<u>6,736,676</u>	<u>61</u>	<u>6,445,910</u>	<u>62</u>
1840 Deferred tax assets	174,288	2	174,259	2	244,751	2	Equity (Note 6 (19))						
1920 Guarantee deposits paid	28,023	-	13,930	-	13,953	-	3110 Common stock	3,206,745	28	3,206,745	29	3,206,745	30
1995 Other non-current assets	51,339	-	58,636	1	94,773	1	3200 Capital reserve	11,428	-	11,427	-	11,423	-
Total non-current assets	<u>5,408,342</u>	<u>48</u>	<u>5,507,358</u>	<u>50</u>	<u>5,621,551</u>	<u>54</u>	Retained earnings:						
							3310 Legal reserve	317,262	3	277,665	3	277,665	3
							3320 Special reserve	83,534	1	33,896	-	33,896	-
							3350 Balance of retained earnings	1,004,082	9	876,576	8	590,074	6
							3400 Other equity	(99,565)	(1)	(83,534)	(1)	(99,124)	(1)
							Total equity	<u>4,523,486</u>	<u>40</u>	<u>4,322,775</u>	<u>39</u>	<u>4,020,679</u>	<u>38</u>
Total Assets	<u>\$11,248,580</u>	<u>100</u>	<u>11,059,451</u>	<u>100</u>	<u>10,466,589</u>	<u>100</u>	Total liabilities and equity	<u>\$ 11,248,580</u>	<u>100</u>	<u>11,059,451</u>	<u>100</u>	<u>10,466,589</u>	<u>100</u>

(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

Consolidated Statements of Comprehensive Income
For the three and six months ended June 30, 2021 and 2020

(Unit: NT\$ thousand)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
4110 Net sales revenue (Note 6 [21] , 7 and 14)	\$ 4,283,121	100	3,720,713	100	8,359,403	100	7,164,319	100
5000 Operating expenses (Note 6 [6] , [9] , [10] , [11] , [12] , [15] , [17] , [22] , 7 and 12)	(3,450,492)	(81)	(3,185,074)	(86)	(6,915,182)	(83)	(6,131,787)	(86)
Gross operating profit	<u>832,629</u>	<u>19</u>	<u>535,639</u>	<u>14</u>	<u>1,444,221</u>	<u>17</u>	<u>1,032,532</u>	<u>14</u>
Operating expenses: (Note 6 [4] , [9] , [10] , [12] , [15] , [17] , [22] , 7 and 12):								
6100 Selling expenses	(265,137)	(6)	(205,645)	(5)	(487,281)	(6)	(414,252)	(6)
6200 General and administrative expenses	(72,687)	(2)	(56,459)	(1)	(134,916)	(1)	(108,239)	(1)
6300 Costs of research and development	(179,722)	(4)	(173,797)	(5)	(358,439)	(4)	(327,473)	(4)
	<u>(517,546)</u>	<u>(12)</u>	<u>(435,901)</u>	<u>(11)</u>	<u>(980,636)</u>	<u>(11)</u>	<u>(849,964)</u>	<u>(11)</u>
Net operating income	<u>315,083</u>	<u>7</u>	<u>99,738</u>	<u>3</u>	<u>463,585</u>	<u>6</u>	<u>182,568</u>	<u>3</u>
Non-operating income and expenses (Note 6 [8] , [14] , [15] , [23] and 7):								
7100 Interest revenue	251	-	271	-	371	-	523	-
7010 Other income	2,113	-	434	-	7,025	-	1,318	-
7020 Other profits and loss	38,256	1	4,755	-	95,897	1	(24,886)	-
7050 Financial cost	(10,654)	-	(15,284)	-	(21,381)	-	(35,440)	(1)
7370 Share of profits of associates accounted for using the equity method	5,951	-	11,144	-	17,921	-	21,497	-
	<u>35,917</u>	<u>1</u>	<u>1,320</u>	<u>0</u>	<u>99,833</u>	<u>1</u>	<u>(36,988)</u>	<u>(1)</u>
Income before income tax	<u>351,000</u>	<u>8</u>	<u>101,058</u>	<u>3</u>	<u>563,418</u>	<u>7</u>	<u>145,580</u>	<u>2</u>
7950 Less: Income tax expense (Note 6 [18])	<u>(76,090)</u>	<u>(2)</u>	<u>(24,153)</u>	<u>(1)</u>	<u>(122,205)</u>	<u>(2)</u>	<u>(36,106)</u>	<u>-</u>
Net profit	<u>274,910</u>	<u>6</u>	<u>76,905</u>	<u>2</u>	<u>441,213</u>	<u>5</u>	<u>109,474</u>	<u>2</u>
Other comprehensive income:								
8310 Items that will not be reclassified to profit or loss (Note 6 [19])								
8316 Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	5,730	-	4,160	-	3,241	-	10,032	-
8349 Income tax related to items that will not be reclassified	-	-	-	-	-	-	-	-
	<u>5,730</u>	<u>-</u>	<u>4,160</u>	<u>-</u>	<u>3,241</u>	<u>-</u>	<u>10,032</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss (Note 6 [8] , [19])								
8361 Exchanges differences arising on translation of financial statements of foreign operations	10,868	-	25,779	1	5,706	-	44,526	1
8370 Share of other comprehensive income of associates accounted for using the equity method	5,901	-	2,211	-	13,566	-	10,670	-
8399 Income tax related to items that may be reclassified	-	-	-	-	-	-	-	-
	<u>16,769</u>	<u>-</u>	<u>27,990</u>	<u>1</u>	<u>19,272</u>	<u>-</u>	<u>55,196</u>	<u>1</u>
Other Comprehensive Income (Loss)	<u>22,499</u>	<u>-</u>	<u>32,150</u>	<u>1</u>	<u>16,031</u>	<u>-</u>	<u>65,228</u>	<u>1</u>
8500 Total comprehensive income for the period	<u>\$ 252,411</u>	<u>6</u>	<u>44,755</u>	<u>1</u>	<u>425,182</u>	<u>5</u>	<u>44,243</u>	<u>1</u>
Net profit after tax for the period attributable to:								
Owners of the parent company	<u>\$ 274,910</u>	<u>6</u>	<u>76,905</u>	<u>2</u>	<u>441,213</u>	<u>5</u>	<u>109,471</u>	<u>2</u>
Total comprehensive income attributable to:								
Owners of the parent company	<u>\$ 252,411</u>	<u>6</u>	<u>44,755</u>	<u>1</u>	<u>425,182</u>	<u>5</u>	<u>44,243</u>	<u>1</u>
Earnings per share (Unit: NT\$, Note 6 [20])								
9750 Basic earnings per share	<u>\$ 0.86</u>		<u>0.24</u>		<u>1.38</u>		<u>0.34</u>	
9850 Diluted earnings per share	<u>\$ 0.85</u>		<u>0.24</u>		<u>1.36</u>		<u>0.34</u>	

(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

Consolidated Statements of Changes in Equity

For the six months ended June 30, 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	
Balance as of January 1, 2020	\$ 3,206,745	5,618	251,953	-	700,548	952,501	(36,865)	22,832	(19,863)	(33,896)	4,130,968
Appropriation and distribution of retained earnings:											
Account for legal reserve	-	-	25,712	-	(25,712)	-	-	-	-	-	-
Account for special reserve	-	-	-	33,896	(33,896)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(160,337)	(160,337)	-	-	-	-	(160,337)
Other changes in capital surplus:											
Change in capital surplus from investments in associates under equity method	-	5,805	-	-	-	-	-	-	-	-	5,805
Net profit	-	-	-	-	109,471	109,471	-	-	-	-	109,471
Other Comprehensive Income (Loss)	-	-	-	-	-	-	(55,196)	(10,032)	-	(65,228)	(65,228)
Total comprehensive income for the period	-	-	-	-	109,471	109,471	(55,196)	(10,032)	-	(65,228)	44,243
Balance as of June 30, 2020	\$ 3,206,745	11,423	277,665	33,896	590,074	901,635	(92,061)	12,800	(19,863)	(99,124)	4,020,679
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
Appropriation and distribution of retained earnings:											
Account for legal reserve	-	-	39,597	-	(39,597)	-	-	-	-	-	-
Account for special reserve	-	-	-	49,638	(49,638)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(224,472)	(224,472)	-	-	-	-	(224,472)
Other changes in capital surplus:											
Change in capital surplus from investments in associates under equity method	-	1	-	-	-	-	-	-	-	-	1
Net profit	-	-	-	-	441,213	441,213	-	-	-	-	441,213
Other Comprehensive Income (Loss)	-	-	-	-	-	-	(19,272)	3,241	-	(16,031)	(16,031)
Total comprehensive income for the period	-	-	-	-	441,213	441,213	(19,272)	3,241	-	(16,031)	425,182
Balance as of June 30, 2021	\$ 3,206,745	11,428	317,262	83,534	1,004,082	1,404,878	(60,218)	(17,359)	(21,997)	(99,565)	4,523,486

(See the attached notes to the Financial Consolidated 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

Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Unit: NT\$ thousand)

	Six months ended June 30	
	2021	2020
Cash flows from operating activities:		
Income before income tax for the period	\$ 563,418	145,580
Adjusted item:		
Depreciation	277,044	299,422
Amortization expenses	21,615	20,077
Expected credit losses (reverse benefits)	(160)	72
Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss	23,737	7,927
Interest expenses	21,381	35,440
Interest revenue	(371)	(523)
Share of profit of affiliated companies accounted under the equity method	(17,921)	(21,497)
Loss (profits) from disposal of real estate, plant and equipment	(108)	30
Losses from disposal of investment	8,928	-
Deferred expense amortized to expense	75,018	62,743
Amortization of syndication fee costs	950	950
Profits of lease amendment	(2)	-
Total adjustments to reconcile profit (loss)	410,111	404,641
Changes in operating assets / liabilities:		
Net changes in operating assets:		
Increase in notes receivable and accounts	(468,938)	(132,208)
Accounts receivable – decrease (increase) in related parties	187,707	(17,188)
Increases in other receivables	(854)	(572)
Other accounts receivable – related parties increase	(14)	(309)
Decrease (increase) in inventory	121,116	(40,559)
Increase in other current assets	(30,427)	(104,639)
Increase in other non-current assets	(8)	(27)
Total net changes in operating assets	(191,418)	(295,502)
Net changes in operating liabilities:		
Increase (decrease) in accounts payable	(299,176)	331,037
Accounts payable – increase (decrease) in related parties	(9,217)	47,710
(Increase) decrease in other payables	18,432	(73,491)
Increase (decrease) in other payables to related parties	15,940	(7,578)
Decrease in other current liabilities	(10,475)	(37,725)
Decrease in net defined benefit liability	(913)	(919)
Total net changes in operating liabilities	(285,409)	259,034
Total net changes in operating assets and liabilities	(476,827)	(36,468)

(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 six months ended June 30, 2021 and 2020

(Unit: NT\$ thousand)

	Six months ended June 30	
	2021	2020
Total adjustments	(66,716)	368,173
Cash inflow generated from operations	496,702	513,753
Interest received	371	523
Interest payment	(21,335)	(35,648)
Income tax paid	(11,282)	(10,180)
Net cash inflow from operating activities	464,456	468,448
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through other comprehensive income	\$ (9,187)	(1,500)
Acquisition of real estate, plant and equipment	(264,232)	(322,498)
Disposal of real estate, plant and equipment	760	4
Decrease (increase) in refundable deposits	(14,093)	3,249
Acquisition of intangible assets	(24,295)	(14,088)
Decrease (increase) in other financial assets	7,499	(342)
Increase in other non-current assets	(7,751)	(59,247)
Net cash outflow from investing activities	(311,299)	(394,422)
Cash flows from financing activities:		
Decrease in short-term loans	(150,000)	(5,821)
Proceeds from long-term borrowings	1,965,800	4,610,250
Repayments of long-term borrowings	(1,910,000)	(4,693,000)
Increase (decrease) in deposits received	4,588	(3,854)
Repayments of lease principal	(38,509)	(45,865)
Net cash outflow from financing activities	(128,121)	(138,290)
Impact on exchange rates changes	(24,603)	17,084
Increase (decrease) in cash and cash equivalents for the period	433	(47,180)
Cash and cash equivalents at beginning of year	148,243	196,254
Cash and cash equivalents at end of year	\$ 148,676	149,074

(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 six months ended June 30, 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 August 5, 2021.

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

(1) 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."
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions after June 30, 2021"

(2) Impacts from IFRS are endorsed by FSC that are not adopted yet

The Combined Company evaluates that the application of the following newly endorsed IFRS amended since January 1, 2022, will not have a material impact on the Consolidated Financial Statements.

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

(3) Newly issued and revised standards and interpretations not yet endorsed by FSC

The standards and interpretations have been issued and amended by IASB that are not yet recognized by FSC, they maybe relate to Combined Company as follows:

(Continued on the next page)

New or amended standards	Major amendments	The effective date of issue by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	<p>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.</p> <p>The amendments also clarify the classification rules for debts companies might settle by converting them into equity.</p>	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 1 "Disclosure to the Accounting Policy"
- Amendments to IAS 8 "Definition to the Accounting Evaluation"
- Amendments to IAS 12 "Related to Referred Tax Assets and Liabilities from Unity Transaction"

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.

(Continued on the next page)

(2) Basis of consolidation

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

Invest ment compa ny name	Subsidiary name	Business type	Proportion of ownership(%)			Description
			June 30, 2021	December 31, 2020	June 30, 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.(BMW)	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) Non-current assets held for sale

Non-current assets or disposal groups as held for distribution were from assets and liabilities, that maybe not continue to reuse to recycle the bills through sold, the assets was reclassified as held for sale, before the assets or disposal groups were sold, the Combined Company based on the policy of accounting to judge again. To be reclassified for sale, the carrying amounts and fair value minus the costs as base. The deduction groups first distribute the Company's reputation. Other assets and liabilities are distributed in proportion. The losses are contained the assets of deduction in IAS 36, the former items continue to be measured by the Company's accounting policy. The original classification held for sale is recognized deduction and the profits and losses are recognized losses or benefits, the reverse benefits are not more than the deduction to be recognized.

Intangible assets, real estate, plants and equipment are classified held for sale, the items are not contained depreciation and amortization. Besides, the classification of investment is recognized held for sale through the equity method, to stop the method.

(4) Employee benefits

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

(5) Income taxes

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, "Interim Financial Reporting". Income tax expense is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate and is recognized as current tax expense.

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

5. 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

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 180	199	209
Demand deposits and checking accounts	148,496	148,044	148,865
	\$ 148,676	148,243	149,074

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

	June 30, 2021	December 31, 2020	June 30, 2020
Mandatory financial assets measured at fair value through profit or loss – current:			
Foreign currency forward contracts	\$ 819	11112	-
Foreign exchange contracts	403	7,146	6,943
	\$ 1,222	18,258	6,943
	June 30, 2021	December 31, 2020	June 30, 2020
Financial liabilities held for trading – current:	\$ (12,539)	(5,838)	8,165

Fair value remeasurement was recognized in profit or loss. Refer to Note 6 [23] 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

June 30, 2021		
Contract amount (NT\$ thousands)	Type of currency	Due date
RMB <u>6,475</u>	Sell RMB / Buy USD	2021.07.30
USD <u>45,000</u>	Sell USD / Buy JPY	2021.07.21~ 2021.09.24
USD <u>10,500</u>	Sell USD / Buy NTD	2021.07.02~2021.07.23
December 31, 2020		
Contract amount (NT\$ thousands)	Type of currency	Due date
RMB <u>39,244</u>	Sell RMB / Buy USD	221.01.08
USD <u>48,000</u>	Sell USD / Buy JPY	2021.01.22~2021.03.24
USD <u>12,000</u>	Sell USD / Buy NTD	2021.01.04~2021.01.22
June 30, 2020		
Contract amount (NT\$ thousands)	Type of currency	Due date
RMB <u>14,168</u>	Sell RMB / Buy USD	2020.07.10
USD <u>41,000</u>	Sell USD / Buy JPY	2020.07.22~2020.09.24
USD <u>6,000</u>	Sell USD / Buy NTD	2020.07.24

b. Foreign exchange contracts

June 30, 2021		
Contract amount (NT\$ thousands)	Type of currency	Due date
USD <u>48,000</u>	Sell USD / Buy NTD	2021.07.30
December 31, 2020		
Contract amount (NT\$ thousands)	Type of currency	Due date
USD <u>40,000</u>	Sell USD / Buy NTD	2021.01.29
June 30, 2020		
Contract amount (NT\$ thousands)	Type of currency	Due date
USD <u>40,000</u>	Sell USD / Buy NTD	2020.07.31

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

	June 30, 2021	December 31, 2020	June 30, 2020
Equity instruments measured at fair value through other comprehensive income:			
Taiwan	\$ 62,009	57,809	91,200
Unlisted stocks	9,728	1,500	1,500
	\$ 71,737	59,309	92,700
Current	\$ 62,009	57,809	91,200
Non-current	9,728	1,500	1,500
	\$ 71,737	59,309	92,700

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 six months ended June 30, 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

	June 30, 2021	December 31, 2020	June 30, 2020
Notes receivable	\$ 28,002	16,804	24,606
Accounts receivable	1,940,800	1,403,099	1,923,541
Deduction: allowance for loss	(19,726)	(23,480)	(22,818)
	1,949,076	1,396,423	1,925,329
Accounts receivable - related parties	728,903	954,445	87,621
Non-current	\$ 2,677,979	2,350,868	2,012,950

- 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 notes receivable and accounts receivable (including related-parties) of the Combined Company as of June 30, 2021, December 31, 2020 and June 30, 2020 was as follows:

	June 30, 2021		
	Carrying amount of accounts receivable and bills	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,674,420	0.0093%	249
Past due 1~30 days	2,429	0.0412%	1
Past due 31~60 days	1,097	1.5497%	17
Past due 61~90 days	305	1.6393%	5
Past due over 91 days	19,454	100%	19,454
	\$ 2,697,705		19,726

December 31, 2020			
	Carrying amount of accounts receivable and bills	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,349,987	0.0169%	397
Past due 1~30 days	1,303	1.9186%	25
Past due 31~60 days	-	-	-
Past due 61~90 days	-	-	-
Past due over 91 days	23,058	100%	23,058
	\$ 2,374,348		23,480

June 30, 2020			
	Carrying amount of accounts receivable and bills	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,011,957	0.02%	409
Past due 1~30 days	-	-	-
Past due 31~60 days	1,403	0.071%	1
Past due 61~90 days	-	-	-
Past due over 91 days	22,408	100%	22,408
	\$ 2,035,768		22,818

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

	Six months ended June 30	
	2021	2020
Balance at the beginning of the year	\$ 23,480	23,359
Impairment Loss (reverse benefits)	(160)	72
Unrecoverable money offset for the period	(3,538)	-
Gain and Loss of foreign exchange	(56)	(613)
Balance at the end of the year	\$ 19,726	22,818

- 3) The Combined Company and the financial institution sign a non-recourse agreement for the sale of accounts receivable. According to the contract, the Combined Company does not have to bear the risk that the accounts receivable 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 accounts receivable 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:

June 30, 2021

Sale object	Sale amount	Amount still available in advance	Advance amount	Show as other receivables (Note 6 [5])	Range of interest rates	Other
Taipei Fubon Commercial Bank	\$ 450,365	-	404,244	46,121	0.71%~0.85%	None
E.Sun Commercial Bank	142,043	-	126,260	15,783	0.8%~0.85%	None
	\$ 592,408	-	530,504	61,904		

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
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	156,469	-	140,616	15,853	0.88%	None
	\$ 592,408	-	530,504	61,904		

June 30, 2020

Sale object	Sale amount	Amount still available in advance	Advance amount	Show as other receivables (Note 6 [5])	Range of interest rates	Other
Taipei Fubon Commercial Bank	\$ 315,215	-	283,639	31,576	0.96%~1.10%	None
E.Sun Commercial Bank	126,186	-	113,538	12,648	2.28%	None
	\$ 592,408	-	530,504	61,904		

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

(5) Other receivables

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Other receivables – account receivables sale minus advance price balance (Note 6 [4] and 7)	\$ 173,292	219,012	194,529
Other receivables - other	2,995	2,141	2,284
Other receivables - related parties	10,886	55	28,428
	<u>187,173</u>	<u>221,208</u>	<u>225,241</u>
Deduction: Allowance for loss	-	-	-
	<u>\$ 187,173</u>	<u>221,208</u>	<u>225,241</u>

The Combined Company's other receivables as of June 30, 2021, December 31, 2020 and June 30, 2020, have no expected credit losses after assessment.

(6) Inventories

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Raw materials	\$ 1,081,405	1,252,982	828,823
Work in process	612,319	520,005	628,904
Finished goods	590,049	631,902	546,349
	<u>\$ 2,283,773</u>	<u>2,404,889</u>	<u>2,004,076</u>

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

	<u>Three months ended</u> <u>June 30, 2021</u>		<u>Six months ended</u> <u>June 30, 2021</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Inventories cost has been sold	\$ 3,447,158	3,175,853	6,796,001	6,056,286
Reversal of allowance for inventory market price decline	(2,189)	(1,131)	104,930	53,441
	<u>\$ 3,444,969</u>	<u>3,174,722</u>	<u>6,900,931</u>	<u>6,109,727</u>

The loss on inventory is the inventory falling price loss recognized as net realizable value due to inventory write-down. Inventory falling price recovery benefit is due to the increase in the price of some raw materials for which allowance for falling price loss has been provided at the beginning of the period, or the inventory has been sold or used, resulting in a decrease in the amount of allowance for inventory falling price loss to be recognized.

(7) Non-current assets held for sale

In May, 2021, the Combined Company, SMS decided to sell the lands and structures in Ruifang District, New Taipei City by Board meetings. For the six ended June 30, 2021, the company looked for the buyer, and will expectantly make them sold in a year, therefore, the former assets to be reclassified the non-current assets held for sale, the details are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Land and structure held for sale	\$ 163,909	-	-

(8) Investments accounted by equity method

	June 30, 2021 (Not audited)	December 31, 2020	June 30, 2020 (Not audited)
Joint ventures	\$ 181,486	196,876	190,389

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

	Three months ended		Six months ended	
	June 30, 2021		June 30, 2021	
	2021	2020	2021	2020
Joint ventures	\$ 5,951	11,144	17,921	21,497

(a) Joint ventures

Taiebio 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 NT\$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 Taiebio 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:

	June 30, 2021	December 31, 2020	June 30, 2020
The carrying amount of equity of individually immaterial associates at end of period	\$ 181,486	196,876	190,389

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Share attributable to the Combined Company:				
Net profit	\$ 5,951	11,144	17,921	21,497
Other comprehensive income	(5,901)	(2,211)	(13,566)	(10,670)
Total comprehensive income	\$ 50	8,933	4,355	10,827

(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.

(9) 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	-	50,841	23,112	240,015	313,968
Disposal	-	-	(17,896)	(749)	(18,645)
The non-current assets held for sale to be reclassified (note 6 (7))	(133,111)	(40,024)	(8,253)	(13,677)	(195,065)
Other reclassifications and effect of foreign exchange rate changes	-	304,363	112,212	(403,860)	12,715
Balance as of June 30, 2021	\$ 1,344,108	3,523,321	5,954,242	2,154,193	12,975,864
Balance as of January 1, 2020	\$ 1,477,219	3,115,137	5,780,134	2,115,547	12,488,037
Addition	-	940	37,496	215,880	254,316
Disposal	-	(292)	(37,985)	(4,942)	(43,219)
Reclassification and effect of foreign exchange rate changes	-	53,030	26,733	(147,469)	(67,706)
Balance at June 30, 2020	\$ 1,477,219	3,168,815	5,806,378	2,179,016	12,631,428
Accumulated depreciation:					
Balance as of January 1, 2021	\$ -	1,895,311	4,970,576	1,647,788	8,513,675
Depreciation for the period	-	64,838	113,058	41,549	219,445
Disposal	-	-	(17,306)	(687)	(17,993)
The non-current assets held for sale to be reclassified (note 6 (7))	-	(19,943)	(54,548)	(5,665)	(31,156)
Other reclassifications and effect of foreign exchange rate changes	-	(2,069)	(1,670)	(401)	(4,140)
Balance as of June 30, 2021	\$ -	1,938,137	5,059,110	1,682,584	8,679,831
Balance as of January 1, 2020	\$ -	1,771,061	4,828,067	1,531,636	8,130,764
Depreciation for the period	-	61,510	104,514	70,407	236,431
Disposal	-	(292)	(37,984)	(4,909)	(43,185)
Reclassification and effect of foreign exchange rate changes	-	(15,839)	1,967	(3,198)	(17,070)
Balance at June 30, 2020	\$ -	1,816,440	4,896,564	1,593,936	8,306,940
Carrying value:					
January 1, 2021	\$ 1,477,219	1,312,830	874,491	684,676	4,349,216
June 30, 2021	\$ 1,344,108	1,585,184	895,132	471,609	4,296,033
January 1, 2020	\$ 1,477,219	1,344,076	952,067	583,911	4,357,273
June 30, 2020	\$ 1,477,219	1,352,375	909,814	585,080	4,324,488

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.

(10)Right-of-use assets

	Land use rights	Housing buildings	Total
Right-of-use assets cost:			
Balance as of January 1, 2021	\$ 63,007	426,531	489,538
Addition	-	9,552	9,552
Lease amendment	-	(389)	(389)
Effect of changes in exchange rate	(210)	(1)	(211)
Balance as of June 30, 2021	\$ 62,797	435,693	498,490
Balance as of January 1, 2020	\$ 62,883	465,035	527,918
Addition	-	787	787
Disposal	-	(40,165)	(40,165)
Effect of changes in exchange rate	(1,808)	-	(1,808)
Balance as of June 30, 2020	\$ 61,075	425,657	486,732
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2021	\$ 13,666	254,282	267,948
Depreciation for the period	646	42,702	43,348
Lease amendment	-	(73)	(73)
Effect of changes in exchange rate	(50)	(1)	(51)
Balance as of June 30, 2021	\$ 14,262	296,910	311,172
Balance as of January 1, 2020	\$ 12,356	208,990	221,346
Depreciation for the period	636	42,739	43,375
Disposal	-	(40,165)	(40,165)
Effect of changes in exchange rate	(368)	-	(368)
Balance as of June 30, 2020	\$ 12,624	211,564	224,188
Carrying value:			
January 1, 2021	\$ 49,341	172,249	221,590
June 30, 2021	\$ 48,535	138,783	187,318
January 1, 2020	\$ 50,527	256,045	306,572
June 30, 2020	\$ 48,451	214,093	262,544

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.

(11) 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	(2,940)	(223)	(3,163)
Balance as of June 30, 2021	\$ 882,588	67,118	949,706
Balance at January 1, 2020	\$ 877,685	67,209	944,894
Effect of changes in exchange rate	(25,215)	(1,931)	(27,146)
Balance at June 30, 2020	\$ 852,470	65,278	917,748
Accumulated depreciation:			
Balance as of January 1, 2021	\$ 475,692	20,080	495,772
Depreciation for the period	13,556	695	14,251
Effect of changes in exchange rate	(1,682)	(71)	(1,753)
Balance as of June 30, 2021	\$ 487,566	20,704	508,270
Balance at January 1, 2020	\$ 442,272	18,658	460,930
Depreciation	18,930	686	19,616
Effect of changes in exchange rate	(13,089)	(550)	(13,639)
Balance as of June 30, 2020	\$ 448,113	18,794	466,907
Carrying value:			
January 1, 2021	\$ 409,836	47,261	457,097
June 30, 2021	\$ 395,022	46,414	441,436
January 1, 2020	\$ 435,413	48,551	483,964
June 30, 2020	\$ 404,357	46,484	450,841

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.

(12) 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	-	24,295	-	24,295
Reduction for the period	-	(743)	-	(743)
Reclassification and effect of exchange rate changes	(802)	1,949	(4)	1,143
Balance as of June 30, 2021	<u>\$ 46,314</u>	<u>243,656</u>	<u>1,486</u>	<u>291,456</u>
Balance as of January 1, 2020	\$ 50,034	187,279	1,488	238,801
Separate acquisition	-	14,088	-	14,088
Reclassification and effect of exchange rate changes	(741)	(56)	(28)	(825)
Balance as of June 30, 2020	<u>\$ 49,293</u>	<u>201,311</u>	<u>1,460</u>	<u>252,064</u>
Accumulated amortization:				
Balance as of January 1, 2021	\$ 34,475	196,764	1,268	232,507
Amortization for the year	3,536	17,930	149	21,615
Reduction for the period	-	(743)	-	(743)
Reclassification and effect of exchange rate changes	(615)	5	(4)	(614)
Balance as of June 30, 2021	<u>\$ 37,396</u>	<u>213,956</u>	<u>1,413</u>	<u>252,765</u>
Balance as of January 1, 2020	\$ 28,903	164,352	968	194,223
Amortization for the year	3,847	16,081	149	20,077
Reclassification and effect of exchange rate changes	(479)	(49)	(20)	(548)
Balance as of June 30, 2020	<u>\$ 32,271</u>	<u>180,384</u>	<u>1,097</u>	<u>213,752</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 June 30, 2021	<u>\$ 8,918</u>	<u>29,700</u>	<u>73</u>	<u>38,691</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 June 30, 2020	<u>\$ 17,022</u>	<u>20,927</u>	<u>363</u>	<u>38,312</u>

(13) Short-term borrowings

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Unsecured bank notes	\$ -	150,000	50,979
Used limit	<u>\$ 9,175,060</u>	<u>8,665,088</u>	<u>8,388,463</u>
Interest rate range	-	0.82%	1.19%~3.9%

(Continued on the next page)

(14) Long-term borrowings

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Unsecured bank notes	\$ 872,297	864,624	810,250
Secured bank notes	800,000	750,000	1,100,000
Total	<u>\$ 1,672,297</u>	<u>1,614,624</u>	<u>1,910,250</u>
Unused limit	<u>\$ 3,262,890</u>	<u>3,318,690</u>	<u>3,106,750</u>
Expiry year (in year Republic of China)	112~119	112~119	110~119
Interest rate range	1.25%~1.3%	1.25%~1.3%	1.25%~1.3%

(a) Borrowings and repayments

For the six months ended June 30, 2021 and 2020, the Company's borrow amount of long-term loan was \$1,965,800 thousand and \$4,610,250 thousand. For the six months ended June 30, 2021 and 2020, the Company's repayment amount of long-term loan principal was \$1,910,000 thousand and \$4,693,000 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 June 30, 2021, December 31, 2020 and June 30, 2020, the actual amount of transfer amounted on \$887,110 thousand, \$881,310 thousand and \$810,250 thousand. The fair value of the loans was \$867,555 thousand, \$861,860 thousand and \$792,351 thousand based on the market interest rate of 1.25%~1.3%, and the difference of \$19,555 thousand, \$19,450 thousand and \$17,899 thousand is regarded as the government subsidy and recognized as deferred income. For the three and six months ended June 30, 2021 and 2020, the amount of the aforementioned deferred income transferred to "other income amounted to" amounted to \$987 thousand, \$0 thousand, \$1,978 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.

(Continued on the next page)

(15) Lease liabilities

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current:			
Related parties	<u>\$ 91,162</u>	<u>82,289</u>	<u>81,485</u>
Non-related parties	<u>\$ 3,205</u>	<u>2,626</u>	<u>2,869</u>
Non-current:			
Related parties	<u>\$ 46,011</u>	<u>91,779</u>	<u>137,173</u>
Non-related parties	<u>\$ 12,786</u>	<u>5,745</u>	<u>6,283</u>

Please refer to note 6 (24) for the expiry analysis.

The amounts recognized in profit or loss were as follows:

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term lease expense	<u>\$ 2,310</u>	<u>257</u>	<u>3,423</u>	<u>584</u>
Interest expense of lease liabilities	<u>\$ 755</u>	<u>1,121</u>	<u>1,571</u>	<u>2,344</u>

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

	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Total cash flows on lease	<u>\$ 43,503</u>	<u>48,793</u>

(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.

(16) Operating leases - Leaser

There was no significant addition in the Company's operating lease contracts for the six months ended June 30, 2020 and 2020. Refer to Note 6(16) for the Consolidated Financial Statements for the year ended December 31, 2019 for the details.

(17) 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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Operating cost	\$ 9	18	19	7
Operating expenses	5	5	2	12
	\$ 14	23	21	19

(b) Defined contribution plans

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Operating cost	\$ 11,799	8,813	23,701	18,420
Operating expenses	7,423	5,639	14,502	11,598
	\$ 19,222	14,452	38,203	30,018

(18) Income taxes

(a) Income tax expenses:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Income tax for the period	\$ 76,090	24,153	122,205	36,109

(b) There was no income tax that was directly recognized in equity or other comprehensive profit or loss for the six months ended in June 30, 2021 and 2020.

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

(19) Capital and other equity

(a) Common stock

As of June 30, 2021, December 31, 2020 and June 30, 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 400,000 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:

	June 30, 2021	December 31, 2020	June 30, 2020
Changes in net equity of associates accounted for using equity method	\$ 11,428	11,427	11,423

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 2020 were resolved at the electronic elections on June 15, 2020 as follows. The shareholders' meetings were held to decide the proposal in August 25, 2021. The distributions of earnings in 2019 were resolved at the shareholders' meetings on June 18, 2020. The dividends distributed to owners are as follows:

	2020		2019	
	Earnings per share (TWD)	Amount	Earnings per share (TWD)	Amount
Dividends to shareholders:				
Cash	\$ 0.70	<u>224,472</u>	\$ 0.50	<u>160,337</u>

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	Remeasure ment of defined welfare plan	Unrealized profit (loss) on investments in equity instruments at fair value through other comprehen sive 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	(5,706)	-	-	(5,706)
Joint venture	(13,566)	-	-	(13,566)
Proceeds from the disposal of affiliated companies accounted for using equity method	-	-	3,241	3,241
Balance as of June 30, 2021	<u>\$ (60,218)</u>	<u>(21,997)</u>	<u>(17,350)</u>	<u>(99,565)</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	(44,526)	-	-	(44,526)
Joint venture	(10,670)	-	-	(10,670)
Proceeds from the disposal of affiliated companies accounted for using equity method	-	-	(10,032)	(10,032)
Balance as of June 30, 2020	<u>\$ (92,061)</u>	<u>(19,863)</u>	<u>12,800</u>	<u>(99,124)</u>

(20) Earnings per share

(a) Basic earnings per share

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Net profit attributable to holders of common equity of the Company	<u>\$ 274,910</u>	<u>76,905</u>	<u>441,213</u>	<u>109,471</u>
The weighted average number of shares outstanding (thousand shares)	<u>\$ 320,675</u>	<u>320,675</u>	<u>320,675</u>	<u>320,675</u>
Basic earnings per share (in dollars)	<u>\$ 0.86</u>	<u>0.24</u>	<u>1.38</u>	<u>0.34</u>

(b) Diluted earnings per share

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Net profit attributable to holders of common equity of the Company	\$ 274,910	76,905	441,213	109,471
The weighted average number of shares outstanding (thousand shares)	320,675	320,675	320,675	320,675
Effect of potentially dilutive shares of common stocks (thousand shares):				
Employee bonuses	2,395	834	2,941	1,394
The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact)	323,070	321,509	323,616	322,069
Diluted earnings per share (in dollars)	0.85	0.24	1.36	0.34

(21) Revenue from contracts with customers

(a) Disaggregation of revenue

	Three months ended June 30, 2021		
	Film sheet segment	Others	Total
Primary geographical market:			
China	\$ 2,670,956	221,217	2,892,173
Taiwan	1,149,398	103,143	1,252,541
Others	55,394	83,013	138,407
	<u>\$ 3,875,748</u>	<u>407,373</u>	<u>4,283,121</u>
Major products/services:			
Optoelectronics	\$ 3,875,748	-	3,875,748
Others	-	407,373	407,373
	<u>\$ 3,875,748</u>	<u>407,373</u>	<u>4,283,121</u>

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

Six months ended June 30, 2021			
	Film sheet segment	Others	Total
Primary geographical market:			
China	\$ 5,217,619	396,392	5,614,011
Taiwan	2,243,491	227,137	2,470,628
Others	109,043	165,721	274,764
	\$ 7,570,153	789,250	8,359,403
Major products/services:			
Optoelectronics	\$ 7,570,153	-	7,570,153
Others	-	789,250	789,250
	\$ 7,570,153	789,250	8,359,403

Six months ended June 30, 2021			
	Film sheet segment	Others	Total
Primary geographical market:			
China	\$ 4,378,991	303,920	4,682,911
Taiwan	2,022,030	225,838	2,247,868
Others	98,151	135,389	233,540
	\$ 6,499,172	665,147	7,164,319
Major products/services:			
Optoelectronics	\$ 6,499,172	-	6,499,172
Others	-	665,147	665,147
	6,499,172	665,147	7,164,319

(b) Contract balances

	June 30, 2021	December 31, 2020	June 30, 2020
Notes receivables and accounts receivables (including related parties)	\$ 2,697,705	2,374,348	2,035,768
Deduction: Allowance for loss	(19,726)	(23,480)	(22,818)
Total	\$ 2,677,979	2,350,868	2,012,950

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

(22) 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 and six months ended June 30, 2021 and 2020, BenQ accrued the remuneration to employees amounting to \$39,050 thousand, \$10,760 thousand, \$62,632 thousand and \$15,379 thousand, respectively, remuneration to directors amounting to \$2,928 thousand, \$807 thousand, 4,697 thousand and \$1,153 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.

(23) Non-operating profit and loss

(a) Interest revenue

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interests on bank deposits	\$ 251	271	371	523

(b) Other Income

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Government subsidy revenue	\$ 2,113	434	7,025	1,318

(c) Other gains and losses

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Disposal of real estate, plant and equipment interests (losses)	\$ (4)	(30)	108	(30)
Disposal of investments profits	-	-	(8,928)	-
Net foreign currency exchange losses	(4,050)	(10,272)	140,136	(27,784)
Net profits (losses) from financial assets (liabilities) measured at fair value through profits (losses) -				
Derivative instruments	40,373	9,783	(39,197)	(4,781)
Others	1,937	5,274	3,778	7,709
	\$			
	38,256	4,755	95,897	(24,886)

(d) Finance costs

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interests expense on bank loans	\$ (9,899)	(14,163)	(19,810)	(33,096)
Lease liabilities	(755)	(1,121)	(1,571)	(2,344)
	<u>\$ (10,654)</u>	<u>(15,284)</u>	<u>(21,381)</u>	<u>(35,440)</u>

(24) 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

	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets at fair value through profit or loss:			
Foreign currency forward contract	\$ 819	11,112	-
Foreign exchange swaps	403	7,146	6,943
Subtotal	1,222	18,258	6,943
Financial assets at fair value through profit or loss	71,737	59,309	92,700
Financial assets at amortized cost:			
Cash and cash equivalents	148,676	148,243	149,074
Notes and accounts receivable and other receivables (including related parties)	2,865,152	2,572,076	2,238,191
Other financial assets - current	8,337	15,836	4,981
Guarantee deposits paid	28,023	13,930	13,953
Subtotal	3,050,188	2,750,085	2,406,199
Total	<u>\$ 3,123,147</u>	<u>2,827,652</u>	<u>2,505,842</u>

2) Financial liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contract	\$ 12,539	5,838	8,165
Financial liabilities measured at amortized cost:			
Short-term borrowings	-	150,000	50,979
Notes and accounts payable and other payables (including related parties)	4,615,473	4,617,207	4,101,109
Long-term borrowings (including loans due within one year)	1,672,297	1,614,624	1,910,250
Lease liabilities – current and non-current (including related parties)	153,164	182,439	227,810
Guarantee deposit received	25,775	21,187	18,702
Subtotal	6,466,709	6,585,457	6,308,850
Total	<u>\$ 6,479,248</u>	<u>6,591,295</u>	<u>6,317,015</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 June 30, 2021, December 31, 2020 and June 30, 2020 totaled \$12,437,950 thousand, \$11,983,778 thousand and \$11,495,213 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
June 30, 2021					
Non-derivative financial liabilities					
Accounts payable (including related parties)	3,142,834	3,142,834	-	-	-
Other payables (including related parties)	1,472,639	1,472,639	-	-	-
Long-term borrowings (floating rate)	1,741,943	8,494	8,392	1,451,754	273,303
Lease liabilities (including related parties)	156,152	48,185	48,151	59,816	-
Guarantee deposit received	25,775	7,663	1,329	15,740	1,043
	<u>\$ 6,539,343</u>	<u>4,679,815</u>	<u>57,872</u>	<u>1,527,310</u>	<u>274,346</u>
Derivative financial instruments					
Foreign currency forward contracts - Total delivery:					
Inflow	\$ (1,562,903)	(1,562,903)	-	-	-
Outflow	1,574,623	1,574,623	-	-	-
Foreign exchange swaps - Net delivery	(403)	(403)	-	-	-
	<u>\$ 11,317</u>	<u>11,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
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
	<u>\$ 6,668,108</u>	<u>4,669,811</u>	<u>207,210</u>	<u>1,425,310</u>	<u>365,777</u>
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)	-	-	-
	<u>\$ (12,420)</u>	<u>(12,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 51,378	42,872	8,506	-	-
Accounts payable (including related parties)	2,971,095	2,971,095	-	-	-
Other payables (including related parties)	1,130,014	1,130,014	-	-	-
Long-term borrowings (including loans due within one year) (floating rate)	1,984,266	10,086	9,956	1,552,536	411,688
Lease liabilities (including related parties)	233,393	40,019	47,798	145,576	-
Guarantee deposit received	18,702	1,989	852	15,530	331
	<u>\$ 6,388,848</u>	<u>4,196,075</u>	<u>67,112</u>	<u>1,713,642</u>	<u>412,019</u>
Derivative financial instruments					
Foreign currency forward contracts - Total delivery:					
Inflow	\$ (1,445,227)	(1,445,227)	-	-	-
Outflow	1,453,392	1,453,392	-	-	-
Foreign exchange swaps - Net delivery	(6,943)	(6,943)	-	-	-
	<u>\$ (1,222)</u>	<u>(1,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

June 30, 2021					
	Foreign currency	Exchange rate	New Taiwan Dollar	Exchange rate changes	Profit and loss impact
Financial assets					
Monetary items					
USD	\$104,416	27,868	2,909,865	1%	29,099
JPY	158,519	0.2522	39,978	1%	400
Financial liabilities					
Monetary items					
USD	43,433	27,868	1,210,391	1%	12,104
JPY	6,533,659	0.2522	1,674,789	1%	16,478

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

June 30, 2020					
	Foreign currency	Exchange rate	New Taiwan Dollar	Exchange rate changes	Profit and loss impact
Financial assets					
Monetary items					
USD	\$ 77,159	29,660	2,288,536	1%	22,885
JPY	69,712	0.2755	19,206	1%	192
Financial liabilities					
Monetary items					
USD	36,274	29,660	1,075,887	1%	10,759
JPY	6,525,171	0.2755	1,797,685	1%	17,977

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 and six months ended June 30, 2021 and 2020, were \$(4,050) thousand, \$(10,272) thousand, \$140,136 thousand and \$(27,784) 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 (ie. 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).

	June 30, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign currency forward contracts	\$ 819	-	819	-	819
Foreign exchange swaps	403	-	403	-	403
	\$ 1,222	-	1,222	-	1,222
Financial liabilities at FVTPL:					
Stocks listed in the emerging stock market in Taiwan	\$ 62,009	-	62,009	-	62,009
Non-listed Stocks	9,728	-	-	9,728	9,728
	71,737	-	62,009	9,728	71,737
Financial assets at FVTPL:					
Foreign currency forward contracts	\$ (12,539)	-	(12,539)	-	(12,539)

	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign currency forward contract	\$ 11,112	-	11,112	-	11,112
Foreign exchange swaps	7,146	-	7,146	-	7,146
	\$ 18,258	-	18,258	-	18,258
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
	59,309	-	57,809	1,500	59,309
Financial liabilities at FVTPL:					
Foreign currency forward contract	\$ (5,838)	-	(5,838)	-	(5,838)

		June 30, 2020			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange swaps	\$ 6,943	-	6,943	-	6,943
	1,669	-	1,669	-	1,669
Financial liabilities at FVTPL:					
Stocks listed in the emerging stock market in Taiwan	\$91,200	-	91,200	-	91,200
Non-listed stocks	1,500	-	-	1,500	1,500
	<u>\$92,700</u>	<u>-</u>	<u>91,200</u>	<u>1,500</u>	<u>92,700</u>
Financial liabilities at FVTPL:					
Foreign currency forward contract	<u>\$ (8,165)</u>	<u>-</u>	<u>(8,165)</u>	<u>-</u>	<u>(8,165)</u>

(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 six months ended in June 30, 2021 and 2020.

(g) Level 3 sheet of changes

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Beginning balances	\$ 5,400	-	1,500	-
Purchase for the period	5,287	1,500	9,187	1,500
Changes in other comprehensive profit and loss recognized in the current period	(959)	-	(959)	-
Ending balances	\$ 9,728	1,500	9,728	1,500

(25) Financial risk management

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

(26) Capital management

The objectives, policies and procedures of the Company's capital management have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Refer to note 6(26) for the consolidated financial statements for the year ended December 31, 2020 for the relevant information.

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

(a) Refer to Note 6(10) for The Company acquired the right-of-use assets by lease for the six months ended June 30, 2021 and 2020.

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

	January 1, 2021	Cash flows	Changes in non-cash			June 30, 2021
			Addition of lease liability	Amendment lease	Assessment adjustment	
Short-term borrowings	\$ 150,000	(150,000)	-	-	-	-
Long-term borrowings	1,614,624	55,800	-	-	1,873	1,672,297
Guarantee deposit received	21,187	4,588	-	-	-	25,775
Lease liabilities (including related parties)	182,439	(38,509)	9,552	(318)	-	153,164
Total liabilities from financing activities	\$ 1,968,250	(128,121)	9,552	(318)	1,873	1,851,236

	January 1, 2020	Cash flows	Changes in non-cash		
			Amendment lease	Assessment adjustment	June 30, 2020
Short-term borrowings	\$ 56,800	(5,821)	-	-	50,979
Long-term borrowings	1,993,000	(82,750)	-	-	1,910,250
Guarantee deposit received	22,556	(3,854)	-	-	18,702
Lease liabilities (including related parties)	272,888	(45,865)	787	-	227,810
Total liabilities from financing activities	\$ 2,345,244	(138,290)	787	-	2,207,741

7. Related-party Transactions

(I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Qisda Corporation (“Qisda”)	Parent of the Company
Visco Vision Inc. (“Visco Vision”)	Joint venture of the Company
Cenefom Corp. (“CENEFOM”)	Joint venture of the Company
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
Dafon Electronics Corp. (“DFN”)	Joint venture of Qisda
Dafon Electronics (Suzhou) Co., Ltd. (“DFS”)	Subsidiary of DFN
AU Optronics Corp. (“AU”)	Corporate Shareholder evaluate “Qisda” through the Equity Method
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
BenQ Medical (Shanghai) Co., Ltd.	Subsidiary of Qisda

(2) The Company's significant related party transactions

(a) Operating income

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.

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Other related parties:				
AU	\$ 1,008,350	877,913	1,947,410	1,874,193
AUS	252,752	279,162	546,215	597,730
AUX	195,550	175,738	404,171	307,349
Others	3,646	3,168	8,015	4,844
Joint ventures	26,117	16,778	56,819	34,195
Parent	-	-	21	57
	\$ 1,486,415	1,352,759	2,962,651	2,818,368

(b) Purchases

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.

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Joint ventures	\$ 48,309	76,848	152,968	103,328
Other related parties	-	25	-	25
	\$ 48,309	76,873	152,968	103,353

(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 June 30		Six months ended June 30	
Parent	Intangible assets	\$ -	-	982	1,535
Other related parties	Intangible assets	4,060	-	7,348	3,453
Other related parties	Real estate, plant and equipment	5,750	-	5,750	-
		<u>\$ 9,810</u>	<u>-</u>	<u>14,080</u>	<u>4,988</u>

(d) Lease

The Company rent and pay for the plants and offices from AU every month, which is referred to neighboring areas for the rental. Interest expense for the three and six months ended June 30, 2021, and 2020, amounted to \$680 thousand, \$1,078 thousand, \$1,462 thousand and \$2,254 thousand. As of June 30, 2021, December 31, 2020 and June 30, 2020, the lease liabilities amounted to \$137,173 thousand, \$174,068 thousand and \$218,658 thousand.

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Other related parties	<u>\$ 476</u>	<u>412</u>	<u>1,017</u>	<u>831</u>

(e) Dividend

- (1) In June 30, 2021, December 31, 2020 and June 30, 2020, the Company's dividends receivable of related parties (recognized in dividends payable) are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Joint ventures	<u>\$ 10,817</u>	<u>-</u>	<u>27,955</u>

- (2)

- (3) In June 30, 2021, December 31, 2020 and June 30, 2020, the Company's dividends payable of related parties (recognized in dividends payable) are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Parent company	\$ 30,562	-	21,830
Other related parties	67,221	-	48,015
	<u>\$ 97,873</u>	<u>-</u>	<u>69,845</u>

(f) Accounts receivable – related parties

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

Account	Related-party categories	June 30, 2021	December 31, 2020	June 30, 2020
Net accounts receivable – related parties	Other related Parties – AU	\$ 486,751	694,443	23,080
	Other related Parties - AUX	135,735	83,116	7,493
	Other related Parties - AUS	90,911	141,989	33,088
	Other related Parties - others	4,313	16,265	3,689
	Joint ventures	29,193	18,632	20,271
	Sub Total	<u>728,903</u>	<u>954,445</u>	<u>87,621</u>
Other receivables – related parties	Other related parties	69	55	473
	Joint ventures	10,817	-	27,955
	Sub total	<u>10,886</u>	<u>55</u>	<u>28,428</u>
		<u>\$ 739,789</u>	<u>954,000</u>	<u>116,049</u>

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

June 30, 2021

<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	\$ 699,865	-	629,842	70,023	1.05%	Promissory note 150,000
Chinatrust Commercial Bank	411,452	-	370,087	41,365	0.88%	Promissory note 50,162
	<u>\$ 1,111,317</u>	<u>-</u>	<u>999,929</u>	<u>111,388</u>		<u>200,162</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>

June 30, 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	\$ 964,093	-	867,672	95,421	1.05%–1.10%	Promissory note 150,000
Chinatrust Commercial Bank	532,312	-	478,428	53,884	1.20%–1.50%	Promissory note 53,388
	<u>\$ 1,496,405</u>	<u>-</u>	<u>1,346,100</u>	<u>150,305</u>		<u>203,388</u>

(g) 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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts payable – related parties	Joint ventures	\$ 20,549	29,766	69,540
Other payables – related parties	Other related Parties	30,499	16,180	9,618
	Parent	1,654	-	1,081
	Joint venture	5	38	-
	Subtotal	32,158	16,218	10,699
		<u>\$ 52,707</u>	<u>45,984</u>	<u>80,239</u>

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Short-term employee benefits and compensation	\$ 15,030	11,277	29,661	21,700
Retirement benefits	81	81	162	162
	\$15,111	11,358	29,823	21,862

8. Pledged assets

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

Assets name	Purpose of pledge	June 30, 2021	December 31, 2020	June 30, 2020
Land, buildings and structures	Long-term borrowings	\$ 639,587	650,368	687,387
Other assets – current – deposit certification	Customs deposits	-	10,668	-
Other assets – current – deposit certification	Letter of credit guarantee	2,952	198	-
		\$ 642,539	661,234	687,387

9. Material contingent liabilities and unrecognized contractual commitments

Significant unrecognized contract commitments:

	June 30, 2021	December 31, 2020	June 30, 2020
Unused letters of credit issued	\$ 1,289,158	933,883	1,064,455
Signed and unpaid major engineering and equipment payments	466,578	205,457	144,747

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 June 30					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses:						
Salaries and wages	361,067	189,482	550,549	305,523	148,804	454,327
Labor and national health insurances	25,782	11,635	37,417	19,789	9,420	29,209
Retirement benefits	11,808	7,428	19,236	8,831	5,644	14,475
Other employee benefits	19,479	6,415	25,894	17,425	6,005	23,430
Depreciation	118,668	21,108	139,776	134,682	15,581	150,263
Amortization	3,526	7,499	11,025	3,811	6,094	9,905

Function Nature	Six months ended June 30					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses:						
Salaries and wages	711,711	360,629	1,072,340	583,333	294,926	878,259
Labor and national health insurances	53,092	24,281	77,373	41,948	20,000	61,948
Retirement benefits	23,720	14,504	38,224	18,427	11,610	30,037
Other employee benefits	38,078	12,195	50,273	34,111	11,670	45,781
Depreciation	236,181	40,863	277,044	267,031	32,391	299,422
Amortization	6,925	14,690	21,615	7,782	12,295	20,077

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

13. Additional disclosures

(1) Information on significant transactions:

For the six months ended June 30, 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)	1,141,435 (RMB265,000)	849,830 (RMB197,300)	1.3%	2	-	Business operating	-			1,888,582	1,888,582
2	BMS (note 1)	BenQ Materials Medical Supplies (Suzhou) Co., Ltd.	Other receivables -related parties	Yes	259,560 (RMB60,000)	258,438 (RMB60,000)	81,839 (RMB19,000)	1.3%	2	-	Business operating	-			1,888,582	1,888,582
3	BMS (note 1)	Suzhou Sigma Medical Supply Co., Ltd.	Other receivables -related parties	Yes	86,718 (RMB20,000)	86,146 (RMB20,000)	-	1.3%	2	-	Business operating	-			1,888,582	1,888,582

(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 June 30, 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	62,009	5.25%	62,009	
BenQ	Stock: Kangde Corporation	-	Financial assets at fair value through other comprehensive profit or loss	150	541	11.03%	541	
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	206	6,187	2.12%	6,187	

(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	1,947,410	23%	OA90	(Note 1)	(Note 3)	468,751	18%	-
BenQ	AUS	Other related party	Sales	546,215	7%	OA90	"	"	90,911	3%	-
BenQ	AUX	Other related party	Sales	404,171	5%	OA90	"	"	135,735	5%	-
BenQ	BMM	Subsidiary	Sales	174,202	2%	OA120	"	"	172,053	6%	(Note 4)
BenQ	Sigma-Medical	Subsidiary	Sales	146,393	2%	OA90	"	"	137,083	5%	(Note 4)
BenQ	BMS	Subsidiary	Purchases	(383,483)	6%	OA90	(Note 2)	"	(123,114)	4%	(Note 4)
BenQ	Visco Vision	Joint ventures	Purchases	(152,886)	2%	OA30	"	"	(20,530)	1%	-

(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	AU	Other related parties	468,751	3.41	-	-	-	-
BenQ	AUX	Other related parties	135,735	3.34	-	-	-	-
BenQ (Note 2)	BMM	Subsidiary	172,053	2.71	-	-	10,930	-
BenQ (Note 2)	Sigma-Medical	Subsidiary	137,083	3.20	-	-	-	-
BMS (Note 2)	BenQ	Subsidiary	123,114	7.80	-	-	38,045	-

(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	174,202	OA120	2.08%
1	BenQ	BMM	1	Accounts receivable	172,053	OA120	1.53%
2	BMS	BenQ	2	Processing income	383,483	OA90	4.59%
2	BMS	BenQ	2	Accounts receivable	123,114	OA90	1.09%
3	BenQ	Sigma-Medical	1	Sales	146,393	OA90	1.75%
3	BenQ	Sigma-Medical	1	Accounts receivable	137,083	OA90	1.22%

(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, over consolidated operating and assets up to 1%, due to the amounts of transactions of purchases and accounts payable between the Company and related parties are insignificant, combined disclosure is adopted.

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

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

(2) Information on investees:

The information of investee companies for the six months ended June 30, 2021 (excluding investees in China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2021			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at June 30, 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%	1,576,387	61,655	61,655	(Note 1)
BenQ	SMS	Taiwan	Manufacture and sales of medical consumables and equipment	231,727	560,000	2,000	100.00%	108,217	(15,366)	(15,299)	(Note 1)
BenQ	Visco Vision	Taiwan	Manufacture and sales of contact lenses	177,811	177,811	9,834	17.97%	164,330	151,076	20,485	
BenQ	CENEFOM	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	29,127	29,127	1,095	12.12%	12,256	(7,280)	(882)	
BenQ	TAIKE	Taiwan	R&D, Manufacture and sales of medical consumables and equipmen	-	10,001	-	-	-	(3,469)	(694)	
BenQ	MLK	Taiwan	R&D, Manufacture and sales of medical consumables and equipmen	6,000	6,000	217	20.00%	4,900	(4,034)	(988)	

(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 June 30, 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 June 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
BenQ Material Co., Ltd. ("BMS")	Manufacture of optoelectronics	808,172 (USD29,000)	(3)	808,172 (USD29,000)	-	-	808,172 (USD29,000)	5,733	100.00%	(5,733) (Note 2)	1,888,582 (Note 4)	-
Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Sales of medical consumables and equipment	47,380 (RMB1,000)	(2)	-	-	-	-	4,815	100.00%	4,815 (Note 2)	(3,438) (Note 4)	-
BenQ Materials (Wuhu) Co., Ltd	Manufacture and sales of optoelectronics and cosmetics	344,584 (RMB80,000)	(3)	172,292 (RMB40,000)	-	-	172,292 (RMB40,000) (Note 3)	53,823	100.00%	51,724 (Note 2)	(356,068) (Note 4)	-
BenQ Materials Medical (Suzhou) Co., Ltd. (BMM)	Manufacture and sales of medical consumables and equipment	64,610 (RMB15,000)	(2)	-	-	-	-	(618)	100.00%	(618) (Note 2)	55,846 (Note 4)	-
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	44,366 (USD1,592)	(1)	44,366 (USD1,592)	-	-	44,366 (USD1,592)	(3,847)	100.00%	(3,847) (Note 2)	26,218 (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 statement

(b) Limits on investments in Mainland China:

(Unit: NT\$ thousand)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment by Investment Commission, MOEA
BenQ	980,464 (USD29,000 and RMB40,000)	1,092,238 (USD29,000 and RMB65,950)	(Note)
SMS	44,366 (USD1,592)	44,366 (USD1,592)	80,000

The above amounts were translated into NTD at the exchange rate of USD/NTD27.868 and RMB/NTD4.3073.

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

(a) Significant transactions with investee companies in China:

The direct or indirect transactions in China have been eliminated when preparing the consolidated financial statements for the six months ended June 30, 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 June 30, 2021			
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 3,875,748	407,373	-	4,283,121
Intra-segment revenue	-	-	-	-
Total revenue	<u>\$ 3,875,748</u>	<u>407,373</u>	<u>-</u>	<u>4,283,121</u>
Segment (loss) profit	<u>\$ 267,094</u>	<u>1,865</u>	<u>-</u>	<u>268,959</u>
Shares of losses of related companies recognized by the equity method				5,951
Net profit after tax				<u>\$ 274,910</u>
	Three months ended June 30, 2020			
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 3,373,235	347,478	-	3,720,713
Intra-segment revenue	-	-	-	-
Total revenue	<u>\$ 3,373,235</u>	<u>347,478</u>	<u>-</u>	<u>3,720,713</u>
Segment profit	<u>\$ 72,739</u>	<u>(6,978)</u>	<u>-</u>	<u>65,761</u>
Shares of interests of related companies recognized by the equity method				11,144
Net profit after tax				<u>\$ 76,905</u>

Six months ended June 30, 2021				
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 7,570,153	789,250	-	8,359,403
Intra-segment revenue	-	-	-	-
Total revenue	\$ 7,570,153	789,250	-	8,359,403
Segment profit	\$ 419,929	3,363	-	423,292
Shares of interests of related companies recognized by the equity method				17,921
Net profit after tax				\$ 441,213

Six months ended June 30, 2020				
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 6,499,172	665,147	-	7,164,319
Intra-segment revenue	-	-	-	-
Total revenue	\$ 6,499,172	665,147	-	7,164,319
Segment profit	\$ 94,815	(6,841)	-	87,974
Shares of interests of related companies recognized by the equity method				21,497
Net profit after tax				\$ 109,471

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