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TSE
8215

Website
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BenQ Materials Corp.

2023 Annual Report

BenQ Materials Corp

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Company Spokesperson

Name: Sheng-Hsiang Wang
Title: Chief Financial Officer
Tel: (03) 374-8800
Email: IR@BenQMaterials.com

Acting Spokesperson

Currently unavailable

Corporate, Office and Factory

Headquarters and Taoyuan Factory: No.29, Jianguo E. Rd., Guishan, Taoyuan 33341, Taiwan, R.O.C
Tel: (03) 374-8800

Zhuke Branch and Longke Factory

Address: No.288, Longyuan 1st Rd., Longtan, Taoyuan 32542, Taiwan, R.O.C
Tel: (03) 255-8800

Yunke Branch and Yunke Factory

Address: No.25 & 29, Kegon 7th Rd., Douliu City, Youlin County, 64064, Taiwan, R.O.C
No.16, Kegon 18th Rd., Douliu City., Youlin County, 64064, Taiwan, R.O.C
No.18, Kegon 18th Rd., Douliu City., Youlin County, 64064, Taiwan, R.O.C
Tel: (05) 537-8800

Stock transfer agency

Name: Taishin Securities Co., Ltd.
Address: B1, No.96, Sec.1, Jianguo N. Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C
Website: www.tssco.com.tw
Tel: (02) 2504-8125

Auditors

CPAs: Tzu-Chieh Tang Ching-Wen Kao
Name of Accounting Firm: KPMG Taiwan
Address: 68F, No.7, Sec., 5, Xinyi RD., Taipei City, Taiwan, R.O.C (Taipei 101)
Website: www.kpmg.com.tw
Tel: (02) 8101-6666

Name of Trading Venues for Overseas Flotation of Marketable Securities and Means of Inquiry into Information Thereof: Not applicable
Company Website: www.benqmaterials.com.tw

Letter to Shareholders

Dear Shareholders,

In 2023, the global political and economic situation remains unstable, and countries are struggling with a slow economic recovery. We are currently living in a rapidly changing era marked by wars, pandemics, natural disasters, and inflation. Various industries are experiencing constant fluctuations, and the consumer market for panel terminals has yet to fully recover, putting significant pressure on the Company's profitability. In 2023, the consolidated operating income of BenQ Materials amounted to NT$ 17.1 billion, with a net profit after tax of NT$ 410 million and earnings after tax of NT$ 1.29 per share.

We have undergone a continuous transformation, successfully transitioning from optical discs to display materials. Additionally, we have expanded our business strategy to include diversification across multiple products, applications, and technologies. The healthcare industry is undergoing rapid evolution, and the growth and transformation of consumer medical devices in recent years are clear indicators of this trend. The industry has successfully expanded into overseas markets, resulting in positive outcomes. Professional medical materials have shown initial effectiveness at the MD&M exhibition and with various major medical device manufacturers. Subsidiaries such as WEB-PRO, Cenefom, SIGMA, and GeneJet Biotech have excelled in their respective fields and have entered the important supply chain of international medical device manufacturers. BenQ Materials has grown alongside these top medical device companies, relying on its research and development capabilities in materials. Moving forward, we will continue to cultivate healthcare professionals and gain more experience from the practical application. Meanwhile, display materials are evolving. The Company is increasing its investment in technology and high-end products. Following a surge in the IT sector during the pandemic, OLED is supplanting LCD as the predominant display technology. Post-pandemic applications have extended beyond home offices to automotive cockpits, leading the Company to concentrate on automotive customers and high-end applications. This strategic adjustment empowers the Company to deliver products and services that align with customer needs.

In recent years, there has been a consistent emphasis on the significance of ESG. BenQ Materials, dedicated to the principles of sustainable management, has set an example by implementing ESG practices. Consequently, in 2023, the Company received accolades such as the "TCSA," "APSAA, and TSAA," as well as the "Asia Corporate Social Responsibility Award." Additionally, BenQ Materials earned the prestigious "Platinum Award" for its inaugural sustainability report. Carbon reduction has become essential for the Company’s survival in the context of energy transition. From carbon pricing to energy conservation and reduction, every stage of the process, including product definition, design, and manufacturing, considers energy consumption and carbon footprint as crucial factors. The Company is committed to sustainable improvement.

As we look ahead to 2024, we are facing the most challenging moment for the global economy amid geopolitical tensions and inflationary pressures. However, it also marks the beginning of a new wave of economic recovery. BenQ Materials must respond and adapt to the evolving environment in a timely manner. In this ever-changing landscape, survival belongs to those who can adapt. We will continue to strive for excellence and move forward. Here, we anticipate the continued support of shareholders to collaboratively foster the Company’s sustainable development.

Sincerely,

Chairman: Zhien-Chi (Z.C) Chen	General Manager: Jia-Reuy, Liu	Accounting supervisor: Shen-Hsing, Wang

Company Profile

(I) Date of Incorporation: July 16, 1998

(II) Milestones

1998- 07 Established Daxon Technology Co., Ltd., with a capital of NT$ 10,000 thousand.

1999- 10 Increase capital by NT$250,000 thousand in cash, and received capital amount to NT$ 500,000 thousand and supplemented the office development bank

2000- 09 Approved by the MOEAIC to invest indirectly from the third place and established Daxon Medical Technology (Suzhou) Co., Ltd, engaged in the manufacture and sales of medical related product series

2001- 09 Issued NT$ 500,000 thousand for the first time in year 2001 of domestic guaranteed ordinary secured convertible bonds

With establishment of BenQ , it was renamed Daxon Technology Inc.

2002- 01 Established Daxon Technology Sdn. Bhd. in Malaysia, and established the first overseas optical disc production base in Penang, Malaysia.

2003- 09 Taipei OTC center (TPEx) approved to log in as a counter stock

2005- 05 Polarizers are shipped formally, starting the first case of independent research and development & mass production of LCD upstream key materials by Chinese people

2007- 12 Establishment of Polarizer factory in Longtan

2008- 09 Approved the application of Yunlin Industrial Zone, and engaged in the manufacture of polymer chemical products

2009- 05 Approved by the MOEAIC to invest indirectly from the third place and established Daxon Biomedical (Suzhou) Co., Ltd., engaged in the manufacture and sales of medical related product series, and listing of medical care products and self-brand “Anscare”

2010- 03 Conducting private placement of securities increase the capital in cash NT$ 200,000 thousand, and the paid in capital increased to NT$ 2,865,301 thousand

04 Establishment of Polarizer factory in Tainan

06 Approved to changed Company name to “BenQ Materials Corp.” by the meeting of Shareholders.

09 Established Daneat Materials Technology (Wuhu) Co., Ltd. with joint venture Wuhu Chery Technology Co., Ltd. (each holding 50% of shares), engaged in the manufacturing and sales of lithium battery isolation film products

10 Financial Supervisory Commission (FSC) approved to publish the cash increase NT$ 236,000 thousand, and the paid-in capital increased to NT$ 3,101,301 thousand

11 Listed on the Taiwan Stock Exchange, stock code: 8215

2012- 03 Officially launched the “Miacare” Silicone Contact Lens series

2014- 10 Contributing the sustainable development of environmental protection, and won the National Enterprise Environmental Protection Award

2015- 09 Personal medical beauty brand “DermaAngel” came into the market

2016- 04 Acquired 100% equity of Daneat Materials Technology (Wuhu) Co., Ltd., and revised its name to BenQ Materials (Wuhu) Corp.

09 End of Nanke branch operation

2018- 07 Acquire Sigma Medical Supplies Corp.

2019- 07 Indirectly investment of BenQ Materials Medical (Suzhou) Co., Ltd. establish in China by the third place approved by the MOEAIC, engaged in the manufacture and sales of medical consumables and equipment

2020- 09 In 2019, it ranked first in the optical industry, with excellent import and export performance and growth rate. Commended by the Ministry of Economic Affairs and awarded the Golden Trade Award

2021- 09 Winning the Best Asia Employer Brand

11 Won Taiwan Sustainable Enterprise Award 2021 — Silver Award of Sustainability Report

2022- 01 Upon TAF appraisal, it became the sole Medical Packaging Material Manufacturer certified by TAF throughout Taiwan

03 Passed Grade A verification of “Taiwan Intellectual Property Management System” of Industrial Development Bureau

09 2022 Taiwan’s Excellence in Corporate Social Responsibility by CommonWealth Magazine

11 Biomaterials Industry Contribution Award

12 Anscare negative pressure therapy system won the Silver Award of National Enterprise Environmental Protection Award, National Innovation and Excelsior Award

2023- 01 Acquisition of Web-Pro Co., Ltd.

05 National Industrial Innovation Award — Material of New Generation Hydrogel

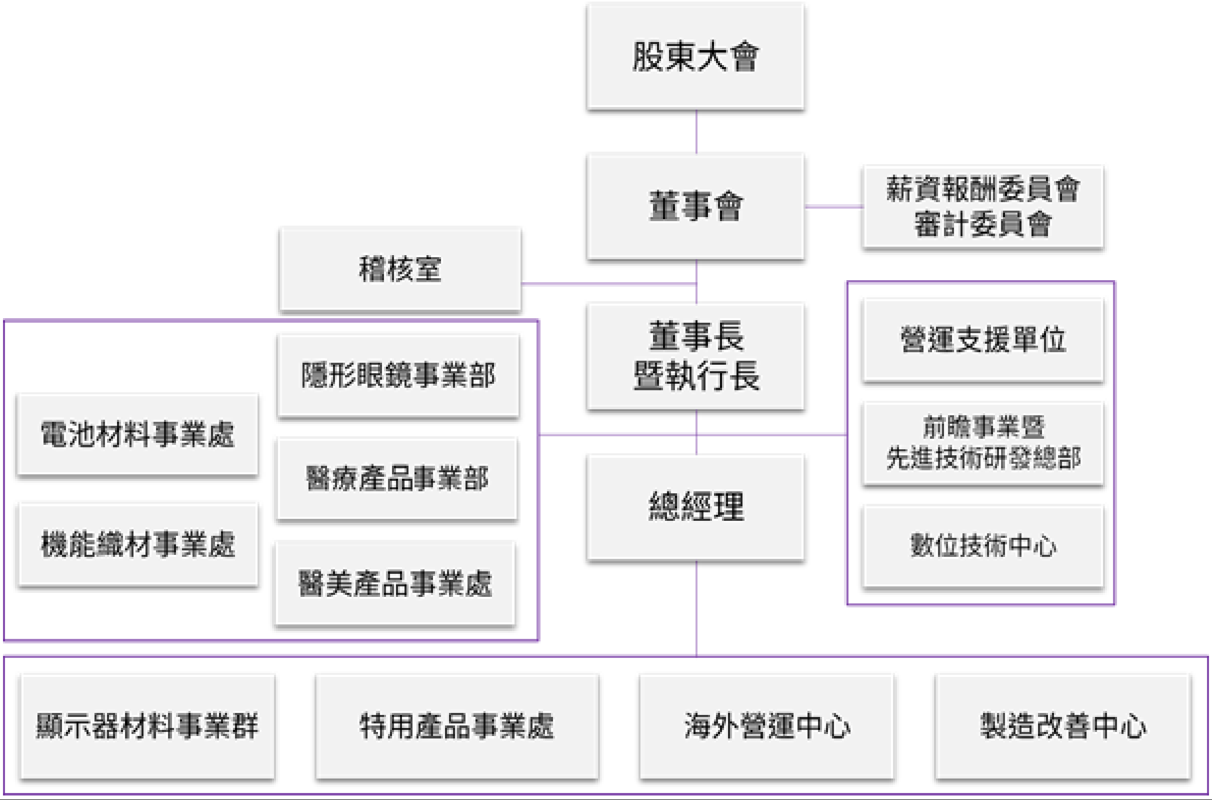
08 Sustainability Action Award/Taiwan Food and Agriculture Action, and Asian Corporate Social Responsibility Award — Human Capital Investment Award

11 TCSA Sustainability Report — Platinum Award, TCSA (Eng) Sustainability Report: Silver Award

Corporate Governance Report

Organization

(I) Organizational Chart



		Shareholders' Meeting	
	Auditing Office	Board of Directors	Remuneration Committee Audit Committee
Battery Materials Division	Contact Lens Division	Chairman and Chief Executive	Operation Support Unit
Functional Weaving Materials Division	Medical Products Division	General manager	Foresight Business and Advance R&D Headquarter
	Aesthetic Medicine Division		Digital Technology Center
Display Materials Division	Specialty Products Business Division	Overseas Operation Center	Manufacturing Improvement Center

(II) Department Functions

Divisions	Functions
Auditing Office	❖ The establishment and implementation of the Company's auditing system, the formulation and declaration of the annual audit plan, and the implementation of internal and external control of the Company and its subsidiaries.
Foresight Business and Advance R&D Headquarter	❖ Coordinating product development, technology development, evaluation, planning and intellectual property rights of new business.
Medical Products Division	❖ Responsible for biomedical product planning, manufacturing, marketing sales and customer service.
Contact Lens Division	❖ Responsible for contact lens product planning, R&D design, manufacturing, marketing sales and customer service.

Divisions	Functions
Aesthetic Medicine Division	❖ Responsible for aesthetic medicine product planning, R&D design, manufacturing, marketing sales and customer service.
Functional Weaving Materials Division	❖ Responsible for functional weaving materials product planning, manufacturing, marketing sales and customer service.
Battery Materials Division	❖ Responsible for Advanced Battery Materials product planning, manufacturing, marketing sales and customer service.
Display Materials Division	❖ Responsible for display materials product planning, manufacturing, marketing sales and customer service.
Specialty Products Business Division	❖ Responsible for optical film, optical cement and intelligent optical film product planning, manufacturing, marketing sales and customer service.
Manufacturing Improvement Center	❖ Make overall planning of development of advanced equipment for manufacturing, environmental security of factory affairs and industrial engineering planning related matters.
Digital Technology Center	❖ Coordinate digital transformation and information technology services, among other functions.
Overseas Operation Center	❖ Responsible for related operation in Suzhou plant and Wuhu plant.
Operation Support Unit	❖ Including finance, legal affairs and regulation, human resources, information technology, brand management, strategic planning, and other functions.

Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches

(I) Directors and Supervisors

1. Basic information

April 1, 2024 : Unit: shares, %

Position	Nationality/Place of Registration	Name	Gender Age	Date Elected (inaugurated)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's current Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
Chairman	R.O.C.	Qisda Corporation (Note 2)	-	2022. 06.16	3 years	1998. 07.06	43,659,294	13.61%	43,659,294	13.61%	-	-	-	-	Ph., D., Swiss Federal Institute of Technology in Zurich MS., Materials & Engineering, University of Utah Director and Executive Vice President of Darfon Electronics Corp. Development Manager of Philips Taiwan Ltd.	Chairman and CEO of BenQ Materials Co., Ltd. Director of LAGIS ENTERPRISE CO., LTD. Chairman of Cenefom Corporation Limited Chairman of Web-Pro Corp. Director of BenQ Foundation Chairman of Circular Taiwan Foundation	-	-	-	Note 1
	R.O.C.	Representative: Zhien-Chi (Z.C.) Chen	Male 61-70 years old				-	-	1,485,234	0.46%	31,020	0.01%	-	-						
Director	R.O.C.	Kun-Yao (K.Y.) Lee	Male 71 - 75 years old	2022. 06.16	3 years	2009. 02.20	4,580,396	1.43%	4,580,396	1.43%	775,001	0.24%	-	-	MBA, Switzerland IMD Chairman of Qisda Corp. Chairman of AU Optronics Corp.	Director of BenQ Materials Corp. Chairman of BenQ Corp. Chairman of BenQ Foundation Director and Executive Vice President of Darfon Electronics Corp.	-	-	-	-
Director	R.O.C.	Qisda Corporation (Note 2)	-	2022. 06.16	3 years	1998. 07.06	43,659,294	13.61%	43,659,294	13.61%	-	-	-	-	The Graduate Institute of Technology & Innovation Management, National Chengchi University MS., International Business Management, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University General Manager of Qisda Corp.	Director of BenQ Materials Corp. Chairman and CEO of Qisda Corp. Chairman of BenQ Medical Tech Chairman of Partner Tech Corp. Chairman of DFI Inc. Vice Chairman of Alpha Network Inc. Director and Executive Vice President of Darfon Electronics Corp. Director of Hitron Technologies Inc. Director of BenQ Foundation Director of BenQ Corp.	-	-	-	-
	R.O.C.	Representative: Peter Chen	Male 61-70 years old				-	-	72,825	0.02%	-	-	-	-						
Director	R.O.C.	Qisda Corporation	-	2022. 06.16	3 years	2022. 06.16	43,659,294	13.61%	43,659,294	13.61%	-	-	-	-	Ph.D., Department of Optoelectronics,	Director of BenQ Materials Corp.	-	-	-	-

Position	Nationality/Place of Registration	Name	Gender Age	Date Elected (inaugurated)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's current Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
		(Note 2)													Jiaotong University General Manager of Functional Film Group, BenQ Materials Corp.	General Manager of BenQ Materials Corp.				
	R.O.C.	Representative: Ray Liu	Male 51 to 55 years old	2022. 06.16	3 years	2022. 06.16	-	-	248,494	0.08%			-	-			-	-	-	-
Director	R.O.C.	BenQ Corporation (Note 2)	-	2022. 06.16	3 years	2007. 10.17	80,847,763	25.21%	80,847,763	25.21%	-	-	-	-	MS., Business Administration, University of Southern Mississippi Chairman of BenQ Materials Corp.	Director of BenQ Materials Corp. Chairman of BenQ Asia Pacific Corp. Chairman of Infty Corp. Director and General Manager of BenQ Corp.	-	-	-	-
	R.O.C.	Representative: Conway Lee	Male 61-70 years old				-	-	99,161	0.03%	-	-	-	-			-	-	-	
Independent Director	R.O.C.	Frank Yeh	Male 61-70 years old	2022. 06.16	3 years	2003. 05.22	-	-	-	-	-	-	-	-	Electronic Engineering, Feng Chia University Director and CEO of WPG General Manager of Arrow Electronics Taiwan Ltd.	Chairman of BenQ Materials Corp. Director and General Manager of WPG Holdings Ltd. Director of WPG Holdings & Director of its Affiliated Venture; Independent Director of Senao International Cp., Ltd.	-	-	-	-
Independent Director	R.O.C.	Louis Y. Y. Lu	Male 61-70 years old	2022. 06.16	3 years	2019. 06.19	-	-	-	-	-	-	-	-	Ph.D. Business and Management, National Chiao Tung University MS., Computer Science, National Chiao Tung University Dean, College of Management, Yuan Ze University Manager of BenQ Corporation Director Representative of Grand Cathay Venture Capital Co., Ltd.	Chairman of BenQ Materials Corp.	-	-	-	-
Independent Director	R.O.C.	Gong Wang	Male 71 - 75 years old	2022. 06.16	3 years	2022. 06.16	-	-	-	-	-	-	-	-	PhD in Industrial Economics and Transportation Economics, Massachusetts Institute of Technology Independent Director of Formosa Taffeta Co.,Ltd Independent Director of Qisda Corporation Chair Professor, Enterprise Management	Chairman of BenQ Materials Corp. Supervisor of PTOT Inc. Headquarter, Taipei				

Position	Nationality/Place of Registration	Name	Gender Age	Date Elected (inaugurated)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's current Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
															Department, China University of Technology (CUTe)					
Independent Director	R.O.C.	Chun-Lin Liu	Male 51 to 55 years old	2023. 05.31	3 years	2023. 05.31	-	-	-	-	-	-	-	-	Master's Degree in Clinical Medicine from China Medical University Attending Physician in Neurosurgery at Linkou Chang Gung Memorial Hospital. Director of the Operating Room at China Medical University Hospital Director of the International Center Ward at China Medical University Hospital	Chairman of BenQ Materials Corp. Deputy Superintendent of the Taipei Branch at China Medical University Hospital Attending Physician in the Neurosurgery Department at China Medical University Hospital.	-	-	-	-

(Note 1) The director and the general manager or equivalent (executive manager) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation: The purpose of the chairman serves as the CEO of the Company is to improve operating efficiency and decision-making execution. However, and strengthen the independence of the Board of Directors; the Company has actively trained suitable candidates; in addition, the chairman also communicates closely with the directors on Company operation to achieve the corporate governance. In the future, the Company will plans to increase the number of independent directors to enhance the functions of the Board of Directors and strengthen the supervision function. At present, the Company has the implementation as following:

1. The current three independent directors have specialized in the electronics industry and academic fields, whose can effectively guide their supervisory functions.
2. Directors will be arranged to participate in professional director courses of external institutions every year to enhance the effectiveness of the Board of Directors.
3. Independent directors can fully advice and provide recommendations for the Board of Directors in all Functional Committees to implement corporate governance.
4. More than half of the board members do not concurrently serve as employees or managers of any affiliates to strengthen the board's independence.

Note 2: Major shareholders of corporate shareholders

Name of Institutional Shareholder	Major shareholders of corporate shareholders	Shareholding Ratio (%)
Qisda Corporation (Note 3)	AUO Corporation (Note 4)	17.04
	Acer Incorporated (Note 4)	4.55
	Taishin International Commercial Bank is entrusted with Jiasida Technology's employee shareholding trust property account	3.38
	Kangli Investment Co., Ltd.	2.55
	Darfon Electronic Corporation	2.03
	Citi (Taiwan) Commercial Bank is entrusted of Banguard's emerging market stock index fund investment account	1.23
	E.SUN Commercial Bank	1.02
	Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	0.98
	New Labor Pension Fund	0.97
	Citi (Taiwan) Commercial Bank is entrusted with the investment account of Poluning Development National Fund Co., Ltd	0.97
BenQ Corporation	Qisda Corporation	100.00

Note 3: Qisda Corporation's data source is based on the Company's shareholder register on the base date of closing the transfer on March 31, 2023; BenQ Corporation is a subsidiary 100% held by Qisda Corporation.

Note 4: Major Shareholders of corporate shareholders with corporations as their major shareholders

Name of Institutional Shareholder	Major shareholders of corporate shareholders (Note 5)	Shareholding Ratio (%)
AUO Corporation	Qisda Corporation	6.90
	CTBC Bank is entrusted with the investment account of Yuanta/P-shares Taiwan Dividend Plus ETF	4.71
	Trust Holding for Employees for AUO Corp. with the custody of HSBC Bank	4.62
	Acer Incorporate	4.61
	AUO Corporation overseas depositary receipts account under custody of Citic Bank	2.52
	Nan Shan Life Insurance Co., Ltd.	1.50
	New Labor Pension Fund	1.27
	Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	0.91
	CTBC Bank is entrusted with the investment account of Yuanta/P-shares Taiwan Top 50 ETF.	0.88
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.86
Acer Incorporated	Taishin International Commercial Bank is entrusted with the investment account of Cathay High Dividend Taiwan Equity Cathay Sustainability High Dividend ETF	7.64
	Hung Rouan Investment Corp.	2.42
	Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	1.31
	Sales Department of Standard Chartered International Commercial Bank is entrusted with custody of iShares ESG Aware MSCI EM ETF	1.26
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.23
	Stan Shih	1.15
	New Labor Pension Fund	0.97
	Acer GDR	0.93
	Investment Account of JP Morgan Securities Co., Ltd. In custody of JPMorgan Chase Bank	0.88
	Citi (Taiwan) Commercial Bank is entrusted of Banguard's emerging market stock index fund investment account	0.86
Darfon Electronic Corporation	Qisda Corporation-	20.72
	BenQ Corporation	5.01
	Taishin International Commercial Bank is entrusted with Darfon Electronics Corp. property account's employee shareholding trust property account	2.91
	Mega International Commercial Bank Co., Ltd.	1.62
	New Labor Pension Fund	1.48

Name of Institutional Shareholder	Major shareholders of corporate shareholders (Note 5)	Shareholding Ratio (%)
	Kai-Chien Su	1.45
	Chang Hwa Commercial Bank, Ltd.	1.21
	Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	1.20
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.06
	Citi (Taiwan) Commercial Bank is entrusted with Banguard's emerging market stock index fund investment account	0.69

Note 5: AU Optronics Corporation's major shareholders are based on the Company's shareholder register on the base date of closing the transfer on October 7, 2022; The major shareholders of Acer Incorporated are based on the Company's shareholder register on April 8, 2023, on the basis of the closing date; Kangli Investment Co., Ltd. is a 100% holding subsidiary of AU Optronics Corporation; Darfon Electronics Corporation's major shareholders are based on the Company's shareholder register on April 11, 2023, on the basis of the closing date.

1. Information Disclosure of Directors' Professional Qualifications and Independent Directors' Independence

2023-12-31

Qualifications / Name	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Representative of Qisda Corporation:Zhien-Chi (Z.C) Chen	The existing Chairman and CEO of BenQ Materials Co., Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	N/A	0
Kun-Yao (K.Y.) Lee	The existing Chairman of BenQ Materials Co., Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	N/A	0
Representative of Qisda Corporation: Peter Chen	The existing Chairman and CEO of Qisda Corporation shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	N/A	0
Representative of Qisda Corporation: Ray Liu	The existing General Manager of BenQ Materials Corp. shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	N/A	0
Representative of BenQ Corporation: Conway Lee	The existing Chairman and General Manager of BenQ Co., Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	N/A	0
Frank Yeh	The existing Deputy Chairman of WPG Holdings Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	Qualified	1
Louis Y. Y. Lu	Former Dean, College of Management, Yuan Ze University, shall be equipped with business, finance and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	Qualified	0
Gong Wang	The existing Supervisor of PTOT Inc. Headquarter, Taipei, shall be equipped with business, finance and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	Qualified	0
Chun-Lin Liu	The existing Deputy Superintendent of China Medical University Hospital shall be equipped with work experience in the medical and related fields. And other experiences shall be subject to Information on the General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.	Qualified	0

(Note 1) None of the conditions stipulated in Article 30 of the Company Law and Article 27 of the Company Law stipulates that the government, legal person or its representative shall be elected.

(Note 2)

1. It complies with the provisions of Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act.
2. In the past 2 year, business, legal, financial, accounting and other services have not been provided by the Company or its affiliated companies.
3. Independent directors and their spouses, relatives within the second degree of kinship (or in the name of others) hold the number and proportion of the Company's shares. For details, please refer to (II) Information on CEO, General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors.

2. Other resource

(1) The Board of Director Diversity

- It has been clearly specified by our Company in the Code of Corporate Governance that, members of the Board of Directors should be of diversified constitution. Directors who concurrently serve as Company managers should not exceed one-third of the directors' seats and appropriate diversification policies should be formulated for their own operations, operating types and development needs, but not limited to the following two major standards: (1) Basic conditions and values: gender and age, etc., (2) Professional knowledge and skills: professional background, professional skills and industry experience, etc.
- There are currently 9 members of the Board of Directors, all of whom have rich professional and practical experience, including business management, academic research, industrial knowledge, legal and accounting capabilities.
- Management objectives achieved:
  (1) The number of directors serving as the manager of the Company should not exceed one-third of the number of directors.
  (2) The number of independent directors exceeds one-third.
- The Company's fulfillment of diversification of members of the Board of Directors in 2023 is as follows:

Name	Position	Nationality	Gender	The tenure of office of Independent Directors			Professional knowledge and skills				Age			Employee
				Under 3 years	3-9 years	Over 9 years	Business Management	Academic Research	Industry Knowledge	Legal Accounting	50-60 years old	61-70 years old	71 - 75 years old	
Zhien-Chi (Z.C.) Chen	Chairman	R.O.C.	Male				V		V			V		V
Kuen-Yao (K.Y.) Lee	Director	R.O.C.	Male				V		V				V	
Peter Chen	Director	R.O.C.	Male				V		V			V		
Ray Liu	Director	R.O.C.	Male				V		V		V			V
Conway Lee	Director	R.O.C.	Male				V		V			V		
Frank Yeh	Independent Director	R.O.C.	Male			V	V		V			V		
Louis Y. Y. Lu	Independent Director	R.O.C.	Male		V			V		V		V		
Gong Wang	Independent Director	R.O.C.	Male	V			V	V		V			V	
Chun-Lin Liu	Independent Director	R.O.C.	Male	V				V			V			

(2) Independence of boardof directors

There are total 9 existing board members, 4 of which are independent directors, accounting for 44% of all director members. Among the members of the Board of Directors, none of the conditions listed in Article 30 of the Company Law, and all independent directors meet the requirements of the Securities and Futures Bureau of the Financial Supervisory Commission for independent directors. There is no relationship between the directors with the spouse or within the second degree of kinship. Therefore, there is no circumstance specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act. The Company believes that the Board of Directors of the Company meets the requirements for independence.

(II) Information on CEO, General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches

April 1, 2024 Unit: shares; %

Position (Note 1)	Nationality	Name	Gender	Date Elected (inaugurated)	Shareholding		Spouse & Minor Shareholding		Holding shares in someone else's name		Major Experience (Education)	Currently holding concurrent positions in other companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
CEO	R.O.C.	Zhien-Chi (Z.C.) Chen	Male	2013.10.01	1,485,234	0.46%	31,020	0.01%	-	-	Ph., D., Swiss Federal Institute of Technology in Zurich MS., Materials & Engineering, University of Utah Director and Executive Vice President of Darfon Electronics Corp. Development Manager of Philips Taiwan Ltd.	Director of LAGIS ENTERPRISE CO., LTD. Director of BenQ Foundation Chairman of Circular Taiwan Foundation (Note 2)	-	-	-	Note 3
General manager	R.O.C.	Ray Liu	Male	2017.08.01	248,494	0.08%	-	-	-	-	Ph.D., Department of Optoelectronics, Jiaotong University	None	-	-	-	Note 3
Vice President	R.O.C.	Oliver Liu	Male	2009.12.01	371,252	0.12%	-	-	-	-	MS., Department of Optoelectronics, Jiaotong University	Director of Visco Vision Inc. (Note 2)	-	-	-	
Vice President	R.O.C.	Charles Liu	Male	2015.11.01	162,466	0.05%	-	-	-	-	MS., Department of Inorganic Chemistry, Saitama University Japan Executive Vice President of Sumika Technology Co., Ltd	(Note 2)	-	-	-	
Senior Manager	R.O.C.	Lung-Hai Wu	Male	2010.07.01	42,870	0.01%	517	0.00%	-	-	Ph.D., Department of Applied Chemistry, Jiaotong University Project Manager of Technology Department of Optimax Technology Corporation	None	-	-	-	
Senior Manager	R.O.C.	Chen-Kuan Kuo	Male	2014.01.01	89,602	0.03%	-	-	-	-	MS., Department of Chemistry, Tamkang University Research and Development Manager of Optimax Technology Corporation	None	-	-	-	
Senior Manager	R.O.C.	Ting-Yuan Chiang	Male	2014.01.01	89,416	0.03%	37,611	0.01%	-	-	MS., Department of Earth and Environmental Science, Chung Cheng University	(Note 2)	-	-	-	
Senior Manager	R.O.C.	Chao-Yi Yang	Female	2015.04.01	89,414	0.03%	-	-	-	-	MS., Department of Business Administration J&J Product Manager CIBA Vision Marketing Manager	None	-	-	-	
Finance Associate General Manager	R.O.C.	Shen-Hsing Wang	Male	2006.03.01	262,893	0.08%	-	-	-	-	MS., Enterprise Research Institute of Chuo University Department of Statistics, Fu Jen University	(Note 2)	-	-	-	
The manager who holds the shares of the Company in the name of others: none. The manager, who has a spouse or a relative within the second degree of kinship, is the supervisor of the Company: none.																

Note 1: The incumbent manager of the Company at the end of 2023.

Note 2: Please refer to the section of "Information on Directors, Supervisors and General Managers of Related Companies" in this annual report for the situation where managers concurrently hold positions in the Company 's related companies.

Note 3: The director and the general manager or equivalent (executive manager) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation:

The purpose of the chairman serves as the CEO of the Company is to improve operating efficiency and decision-making execution. However, and strengthen the independence of the Board of Directors; the Company has actively trained suitable candidates; in addition, the chairman also communicates closely with the directors on Company operation to achieve the corporate governance. In the future, the Company will plans to increase the number of independent directors to enhance the functions of the Board of Directors and strengthen the supervision function. At present, the Company has the implementation as following:

1. The current four independent directors have specialized in the electronics industry and academic fields, which can effectively guide their supervisory functions.
2. Directors will be arranged to participate in professional director courses of external institutions every year to enhance the effectiveness of the Board of Directors.
3. Independent directors can fully advice and provide recommendations for the Board of Directors in all Functional Committees to implement corporate governance.
4. More than half of the board members do not concurrently serve as employees or managers of any affiliates to strengthen the board's independence.

(III) Remuneration paid during the most recent fiscal year to Directors, Supervisors, General Manager, and Assistant General Managers

1. Remuneration of GeneralDirectors and Independent Directors

December 31, 2023 Unit: NT$ thousand

Position	Name	Remuneration Paid to Directors								Percentage of the total of four items A, B, C and D to net income after taxes (%)		Relevant Remuneration Received by Directors who Are Also Employees								The Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		Base Compensation (A) (Note 1)		Severance Pay and Pensi (B)		Directors' Remuneration (C) (Note 2)		Business Execution Expenses (D) (Note 3)				Salary, Bonus, and Allowance (E) (Note 4)		everance Pay and Pension		Employee Compensation (G) (Note 5)						
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
																Cash amount	Stock amount	Cash amount	Stock amount			
Corporate Director	Qisda Corporation	7,000	7,000	-	-	2,615	2,615	200	200	9,815/ 2.37	9,815/ 2.37	41,049	41,049	108	108	16,500	-	16,500	-	67,472/ 16.28	67,472/ 16.28	77,446,724
Director Representative of Corporate Shareholder Chairman and Chief Executive	Zhien-Chi (Z.C.) Chen																					
Director Representative of Corporate Shareholder	Peter Chen																					
Director Representative of Corporate Shareholder	Ray Liu																					
Corporate Director	BenQ Corporation																					
Director Representative of Corporate Shareholder	Conway Lee																					
Director	Kun-Yao (K.Y.) Lee																					
Independent Director	Frank Yeh	4,961	4,961	-	-	1,341	1,341	140	140	6,442/ 1.55	6,442/ 1.55	-	-	-	-	-	-	-	-	6,442/ 1.55	6,442/ 1.55	-
	Louis Y. Y. Lu																					
	Gong Wang																					
	Chun-Lin Liu																					

1. Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:
   The remuneration of the Company's Directors shall be distributed by the Board of Directors in accordance with the authorization of the Articles of Incorporation and shall take into account the pay levels in the domestic and overseas industry. The Board of Directors shall, in accordance with the Articles of Incorporation, decide the amount of Directors' remuneration in the event of profits. Independent directors are ex officio members of the Audit Committee; in addition to paying the remuneration of general directors, different reasonable remunerations may be determined in consideration of the responsibilities, risks and the time spent by the individual.
2. In addition to the disclosure in the above table, the directors of the Company in the most recent year received remuneration for providing services to all companies in the financial report (such as serving as consultants for non-employees): None

Note 1: The directors' compensations in the year 2023 (include salary, allowances, severance pay, and various awards and bonuses.)

Note 2: The directors compensation of 2023.

Note 3: Expense relating to business execution by directors in the year 2023 (include transportation allowances, special allowances, various subsidies, accommodations, and personal cars etc.)

Note 4: The directors serving as employees in the year 2023 (include those concurrently serving as CEO, General Manager, Assistant General Manager, or other managerial officers and employees) who receive salaries, supervisors' allowances, severance pay, bonuses, incentive payment, traveling expense, special allowances, subsidies, dormitory, Company cars, in kind payments, etc.

Note 5: In the year 2023, directors who concurrently serve as employee (including concurrently serve as Chairman, General Manager, Assistant General Manager, other managerial officers and employees) who receive employee compensation (including stock and cash dividends.)

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
Less than NT$1,000,000	Zhien-Chi (Z.C) Chen, Peter Chen, Conway Lee, Ray Liu	Zhien-Chi (Z.C) Chen, Peter Chen, Conway Lee, Ray Liu	Peter Chen, Conway Lee	Peter Chen, Conway Lee
NT$1,000,000 (inclusive)-NT$2,000,000 (exclusive)	The individuals associated with BenQ Corporation are Kuen-Yao (K.Y.) Lee, Louis Y. Y. Lu, Gong Wang, and Chun-Lin Liu.	The individuals associated with BenQ Corporation are Kuen-Yao (K.Y.) Lee, Louis Y. Y. Lu, Gong Wang, and Chun-Lin Liu.	The individuals associated with BenQ Corporation are Kuen-Yao (K.Y.) Lee, Louis Y. Y. Lu, Gong Wang, and Chun-Lin Liu.	The individuals associated with BenQ Corporation are Kuen-Yao (K.Y.) Lee, Louis Y. Y. Lu, Gong Wang, and Chun-Lin Liu.
NT$2,000,000 (inclusive)-NT$3,500,000 (exclusive)	Frank Yeh	Frank Yeh	Ray Liu and Frank Yeh	Ray Liu and Frank Yeh
NT$3,500,000 (inclusive)-NT$5,000,000 (exclusive)	-	-	-	-
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	Qisda Corporation	Qisda Corporation	Qisda Corporation	Qisda Corporation
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	-	-	-	-
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	-	-	-	-
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	-	-	Zhien-Chi (Z.C.) Chen	Zhien-Chi (Z.C.) Chen
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	-	-	-	
Over NT$100,000,000	-	-	-	-
Total	11 people (including 2 legal people)	11 people (including 2 legal people)	11 people (including 2 legal people)	11 people (including 2 legal people)

2. **Remuneration paidto Supervisors: Note applicable.**
3. **Remuneration paid to Chairman, General Manager and Assistant General Manager**

December 31, 2023 Unit: NT$ thousand

Position	Name	Salary (A)		Severance Pay and Pension (B)		Remuneration (C)		Employee Compensation (D) (Note)				Total remuneration (A+B+C+D) as a percentage of net income (%)	Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements			
								Cash amount	Stock amount	Cash amount	Stock amount		
CEO	Zhien-Chi (Z.C.) Chen	16,253	16,253	324	324	45,428	45,428	4,688	-	4,688	-	66,693/16.10	-
General manager	Ray Liu												
Vice President	Oliver Liu												
Vice President	Charles Liu												

Note: Refers to the proposed allotment amount calculated with reference to the actual allotment ratio in previous years.

Range of Remuneration

Remuneration paid scale to CEO, General Manager and Assistant General Manager	Name of Chairman, General Manager and Assistant General Manager	
	The Company	All Companies in Consolidated Financial Statements
Less than NT$1,000,000	-	-
NT$1,000,000 (inclusive)-NT$2,000,000 (exclusive)	-	-
NT$2,000,000 (inclusive)-NT$3,500,000 (exclusive)	-	-
NT$3,500,000 (inclusive)-NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	-	-
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	Oliver Liu, Charles Liu	Oliver Liu, Charles Liu
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	Zhien-Chi (Z.C) Chen, Ray Liu	Zhien-Chi (Z.C) Chen, Ray Liu
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	-	-
Over NT$100,000,000	-	-
Total	4 people	4 people

4. Names of managerial officers who received employee compensation and status of distribution

Unit: NT$ thousand

Item	Position (Note 1)	Name (Note 1)	Stock amount (Note 2)	Cash amount (Note 2)	Grand Total (Note 2)	Ratio of Total Amount to Net Income (%)
Managerial Officer	CEO	Zhien-Chi (Z.C.) Chen	d	6,712	6,712	6,712 1.62%
	General manager	Ray Liu				
	Vice President	Oliver Liu				
	Vice President	Charles Liu				
	Senior Manager	Lung-Hai Wu				
	Senior Manager	Chen-Kuan Kuo				
	Senior Manager	Ting-Yuan Chiang				
	Senior Manager	Chao-Yi Yang				
	Finance Associate General Manager	Shen-Hsing Wang				

Note 1: The incumbent manager of the Company at the end of 2023.

Note 2: Refers to the proposed allotment amount calculated with reference to the actual allotment ratio in previous years.

(IV) Total remuneration as a percentage of net income as paid by the Company, during the past two fiscal years to its Directors, Supervisors, General Manager, and Assistant General Manager

Year / Item	2023		2022	
	The Company	All consolidated entities	The Company	All consolidated entities
After-tax (loss) profit (NT$ thousand)	414,352	414,352	1,295,670	1,295,670
Ratio of compensation paid to Directors by the Company (%)	3.92	3.92	1.9	1.9
Ratio of compensation for Managers such as deputy general manager or above paid by the Company (%)	16.10	16.10	5.46	5.46

(V) The Company'sremuneration policies, standards and portfolios, procedures for determining remuneration, and its relevance to operating performance and future risks

In order to regularly evaluate the remuneration of directors and managers, the Company's "Methods to Evaluate Performance of Directors" and the "Performance Management Method" applicable to managers and employees are used as the basis for the evaluation results.

(1) The remuneration of directors of the Company is issued by the Board of Directors in accordance with the authorization of the Company's Articles of Association. According to the degree of directors' participation in the Company's operation and contributionvalue, and with reference to the "Remuneration Measures for Directors and Functional

Committee Members" set by domestic and foreign peers If the Company has a surplus, the Board of Directors, in accordance with Article 19 of the Company's articles of association, decide on the director's remuneration for the current year within the amount not exceeding 1% of the current year's profit. The Company regularly evaluates the remuneration of directors in accordance with the "Methods to Evaluate Performance of Directors". The relevant performance evaluation and the rationality of remuneration have been reviewed and approved by the Remuneration Committee and the Board of Directors.

(2) The appointment, termination and remuneration of the general manager and deputy general manager of the Company shall be handled in accordance with the Company's regulations. If the Company has earnings, it shall set aside 5-20% of the balance as remuneration to the employees, in accordance with Article 19 of the Company's articles of association. The remuneration standard is based on the Company's Remuneration Committee and the Board of Directors to determine the managerial officers' remuneration policy and principles, and determines remuneration with reference to the industry's usual level, the Company's operating income, profitability and individual performance of managers. The Company's performance evaluation results implemented in accordance with the "Performance Management Measures" are used as a reference for the issuance of manager bonuses. Manager performance evaluation items are divided into 1. Financial indicators: according to the Company's management profit and loss statements, the distribution of each business group's contribution to the Company's profit, and taking into account the manager's target achievement rate; 2. Non-financial indicators: the practice of the Company's core values, operational management capabilities, and participation in sustainable operations, calculation of remuneration for its business performance, and review of the remuneration system at any time depending on the actual operating conditions and relevant laws and regulations.

(3) The Company's main remuneration principles are to link responsibilities and performance results, provide competitive remuneration in the market to attract, retain and cultivate talents for a long time, reflect the Company's operating risks and corporate governance structure, and do not use short-term profits as compensation and performance Evaluate the only indicator that links the long-term value of shareholders.

The State of the Company's Implementation of Corporate Governance

(I) The state of operations of the Board of Directors

1. A total of 4 meetings of the Board of Directors were held in 2023. The Directors and Supervisors' attendance status is as follows:

Position	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Chairman	Representative of Qisda Corporation: Zhien-Chi (Z.C) Chen	4	0	100%	
Director	Representative of Qisda Corporation: Peter Chen	4	0	100%	
Director	Representative of Qisda Corporation: Ray Liu	4	0	100%	
Director	Representative of BenQ Corporation: Conway Lee	4	0	100%	
Director	Kuen-Yao (K.Y.) Lee	4	0	100%	
Independent Director	Frank Yeh	4	0	100%	
Independent Director	Louis Y. Y. Lu	4	0	100%	
Independent Director	Gong Wang	4	0	100%	
Independent Director	Chun-Lin Liu	2	0	100%	2023/5/31 Newly elected

Other matters to be recorded:

1. If any of the following circumstances occur during board meetings, the date of said meeting, session, proposal content, all independent director opinions, and the Company's responses to said independent director opinions:
   (1) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee; Article 14-3 does not apply. For an explanation of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the state of operation of the Audit Committee (page 20).
   (2) Any recorded or written Board resolutions to which Independent Directors have objections or reservations to be noted in addition to the above: None.

2. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of the proposal, reasons for recusal, and results of voting shall be specified:

Meeting date of Board of Directors	Name of Director	Contents of the proposal	Reasons for recusal	Results of voting
2023.02.23	The representatives of Qisda Corporation is comprised of Zhien-Chi (Z.C) Chen, Peter Chen, Ray Liu, and independent director Frank Yeh.	Approval of the proposal for the waiver of non-competition clauses for Directors and their representatives.	In accordance with Article 206 of the Company Law, apply the provisions of Article 178 of the same law.	Do not participate in discussion and voting
2023.02.23	Directors: Zhien-Chi (Z.C) Chen, Kuen-Yao Lee, Peter Chen, Conway Lee	Approval of the donation to the BenQ Foundation	Served as a director of the BenQ Foundation	Do not participate in discussion and voting
2023.08.04	Directors: Zhien-Chi (Z.C) Chen, Gary Liu	Approval of the executive compensation and annual salaries for 2022 after review	Served as the manager of the Company	Do not participate in discussion and voting

3. The evaluation cycles, evaluation periods, scope and method of evaluation, and contents of evaluation for evaluating the performance of the board members (on themselves or peers). The implementation of evaluation for the Board of Directors:

Frequency	Period	Scope	Method	Content
Once a year	2023.01~ 2023.12	The Board of Directors and Functional Committees (including Audit Committee and Remuneration Committee)	Self-evaluation of the Board of Directors and Functional Committees (including Audit Committee and Remuneration Committee)	• The performance evaluation of the Board of Directors and its individual members includes five major aspects: participation in the operation of the Company, improvement in the quality of decision-making of the Board of Directors, Board composition and structure, appointment of directors and their continued development, and internal controls. • The performance evaluation of the Functional Committees includes five major aspects: participation in the operation of the Company, understanding of the responsibilities of the Functional Committees, improvement in the quality of decision-making of the Functional Committees, the composition of the Functional Committees, and the election of committee members, and internal control.

4. External appraisal report of BOD performance of the Company

Frequency	Period	Scope	Method	Content
Once every three years	2020.08~ 2021.07	Board of Directors, Internal Control and Risk Management	Entrust Taiwan Corporate Governance Association with appraising BOD performance (on-site appraisal).	Contents of BOD performance appraisal include eight aspects: BOD constitution, guidance, authorization, supervision, communication, self-discipline, internal control and risk management.

Other overall appraisal and suggestions are as follows:

Overall appraisal	Suggestions
1. In early planning stage of operation strategy and annual budget, the Company shall report to the Board of Directors for appropriate suggestions. 2. The Company makes regular risk management report to the Audit Committee and the Board of Directors, so as to supervise the Company's management and control of business risks efficiently.	1. It is suggested making separate appraisal of BOD and BOD members, for the sake of post-appraisal review and enhancement. 2. It is suitable to formulate measures for appraisal of CPAs, and it is suggested leaving written records on communication between the auditors, CPAs and the Audit Committee.

3. The Company includes the contact experts and scholars into the Directors' Talent Base, so as to guarantee that the Company can select new directors meeting the Company's development requirements. 4. The Company invites professional independent institution for appraisal of BOD performance, showing that the Company takes the initiative in implementing corporate governance and improving BOD efficiency.	3. It is suggested that the Audit Committee should participate in formulation and performance appraisal of Audit Supervisor. 4. It is suitable to establish written system for introducing operation, etc. of the Company to new directors. 5. It is suggested that the Company website should set highly independent accepting channel.

5. The objectives of strengthening the functions of the Board of Directors in the current year and the most recent year (such as the establishment of an Audit Committee, the enhancement of information transparency, etc.) and the assessment of implementation.
   (1) AUO's Board of Directors' duties include: supervising the Company's strategy, monitoring the management and the operation and arrangement of corporate governance system. It is also responsible for the Company and the shareholders, and shall exercise its powers in accordance with the law, Company regulations, or the resolutions of the shareholders' meetings.
   (2) At least one independent director of the Company's Board of Directors attended the meeting in person, and all the independent directors attended the Board of Directors' resolutions in Article 7 of the Rules of Procedures for Board Meetings in the most recent year and the year up to the date of publication of the annual report.
   (3) The Company chose to establish an independent director and an Audit Committee on November 16, 2007, during the shareholders' interim meeting and set up a Remuneration Committee on October 25, 2011. This plan has helped strengthen the functions of the Board of Directors and implement corporate governance.
   (4) The independent directors of the Company meet regularly for discussion. Accountants, internal audit, legal affairs, finance, risk control and other units are invited to report and ask the independent directors for the latest financial statement review, internal audit results, litigation cases, and financial affairs. Information such as business overview enables independent directors to assist investors to ensure credibility in corporate governance and information transparency to protect shareholders 'rights.
   (5) According to the "Methods to Evaluate Performance of Directors" passed by the Company's BOD on May 6, 2019, the Board and Directors have to be evaluated at least one time every year and receive external appraisal once every three years. The Company completed the self-evaluation of the Board of Directors at the end of 2023, and reported the evaluation results to the Board of Directors on February 22, 2024.
   (6) The Board of Directors appointed a Corporate Governance Officer on May 6, 2019, responsible for corporate governance matters, including handling of matters relating to Board, Audit Committee, Remuneration Committee, and Shareholders' meetings in compliance with the law, assistance in onboarding and continuing education of directors, provision of information required for the performance of the duties by directors, and assistance in directors' compliance of law, etc.

(II) The state of operation of the Audit Committee:

A total of 4 Audit Committee meetings were held in the most recent year. The attendance of the independent directors was as follows:

Position	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Convener	Frank Yeh	4	0	100%	
Committee Member	Louis Y. Y. Lu	4	0	100%	
Committee Member	Gong Wang	4	0	100%	
Committee Member	Chun-Lin Liu	2	0	100%	2023/5/31 Newly elected

Other matters to be recorded:
1. In case of any of the following situations in the operation of the Audit Committee, the date, session, content of the proposal, resolution of the Audit Committee,and the Company's handling of the Audit Committee's opinions should be stated:
   (1) According to Article 14-5 of the Securities and Exchange Act:

Date of the meeting (session)	Contents of the proposal	Opinions of all Independent Directors and the Company's handling of Independent Directors
2023.02.23 First time	(I) "Statement of Internal Control System" and Self-Evaluation Implementation Result Report for 2022 (II) 2022 Financial Statements, Business Report and the 2023 Business Plan (III) Proposal: Recognition of 2022 Earnings Distribution (IV) Proposed not continuing to handle the private placement of securities approved by the shareholders' regular meeting in 2022 (V) Proposed issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement	1. Approved by the unanimous decision of the members of the Audit Committee present 2. The Company's handling of opinions of members of the Audit Committee: None.
2023.05.04 Second time	(I) 2023 Q1 financial statements	
2023.08.02 Third time	(I) Proposed ratification of 2023 Q2 financial statements (II) Proposed to review CPA fees	
2023.11.02 Fourth time	(I) Proposed ratification of 2023 Q3 financial statements (II) Appointed CPAs to the 2024 financial statements of the Company	

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.

3. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of proposal, reasons for recusal, and results of voting shall be specified: None.
4. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations).
   (1) The Company regularly convenes Audit Committee meetings. Where necessary, the independent auditor, audit manager, and relevant managers are invited to the meeting.
   (2) The internal audit supervisor regularly submits the audit summary report to the Audit Committee according to the annual audit plan. The Audit Committee also regularly evaluates the Company's internal control system, internal auditors, and their work.
   (3) The Audit Committee communicates regularly with the Company's CPAs on the quarterly financial statements review or verification results and other relevant legal requirements to communicate, and conduct an independent review on the selection of CPAs and the audit and non-audit services.
4. Annual Work Priorities and Operational Status:
   <u>Annual priorities</u>:
   (1) Communicate with the chief internal auditor regularly about the audit reports according to the annual audit plan.
   (2) Communicate with CPAs regularly over financial statement review or audit results in each quarter.
   (3) Review the financial report.
   (4) Assess the effectiveness of internal control system.
   (5) Appointment of CPAs.
   (6) The independent evaluation of accountants' provision of audit and non-audit services.
   (7) Review the objects and amounts of assets, derivative commodities, capital loans and endorsement guarantees and major asset transactions, capital loans and endorsement guarantees.
   (8) Regulatory compliance.

<u>2023 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.</u>

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation Item		Implementation Status: Yes	Implementation Status: No	Implementation Status: Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
I. Does the Company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?		V		The Company has formulated the "Corporate Governance Principles" and disclosed them on the Company's official website. In response to subsequent amendments to relevant laws and regulations, they will be updated in due course. It has relevant regulations aimed at protecting the rights and interests of shareholders, strengthening the functions of the Board of Directors, respecting the rights and interests of stakeholders, and improving information transparency.	No material difference
II. Shareholding Structure & Shareholders' Rights	(I) Does the Company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations? If yes, have these procedures been implemented accordingly?	V		the Company has set up a spokesperson system to ensure that the information which may affect shareholders 'decisions can be disclosed promptly and fairly, and the shareholding unit is the responsible unit, and a private letter box is set up to receive shareholders' suggestions, doubts and disputes; for shareholders to file lawsuits, then refer to the legal department for proper handling.	No material difference
	(II) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		In addition to mastering a list of major shareholders and beneficial owners of these major shareholders, the Company regularly publishes monthly announcements on MOPS for directors and major shareholders holding 10% of the shares and other insiders' equity changes and pledges.	No material difference
	(III) Does the Company establish and execute a risk management and firewall system within its affiliates?	V		1. In order to establish a risk control and firewall with related companies, the Company has entered into "specific Company, group enterprise, and related party transaction operation procedures" and "subsidiary management measures." 2. the Company's affiliated companies all have specified financial, business and manufacturing departments, and their management rights and responsibilities are clear. The Company would regularly conduct comprehensive risk assessments of related companies and their main banks, customers, and suppliers to reduce credit risk.	No material difference
	(IV) Does the Company establish internal rules against insiders using undisclosed information to trade securities?	V		In order to establish a perfect major information processing and disclosure mechanism to avoid improper leakage of information and ensure the consistency and correctness of externally published information, the Company has formulated the internal specifications of "Operating Procedures for Handling Material Information and Preventing Insider Trading", prohibiting the Company insiders use unpublished information on the market to buy and sell securities and disclose on the Company's website.	No material difference
III. Composition and responsibilities of the Board of Directors	(I) Has the Board developed, and does it implement, a diversity policy and specific management goal for the composition of its members?	V		For the formulation and implementation of the diversity policy of the Board of Directors of the Company, please refer to page 13 of the annual report for the operation.	No material difference

Evaluation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
(II) Does the Company voluntarily establish other Functional Committees in addition to the Remuneration Committee and Audit Committee, which are required by law?	V		1. The Company has set up an Audit Committee. Please refer to page 20 of the annual report for the operation. 2. The Company has set up a Remuneration Committee. Please refer to the page 28 of the annual report for the operation. 3. The Company has set up a risk management committee. Please refer to the risk management chapter on page 71 of the annual report for the operation. 4. The Company does not have a nomination committee, but in practice, the Company's directors (including independent directors) are elected by the candidate nomination system. The list of candidates for current directors (including independent directors) is proposed by shareholders who hold more than 1% of the Company's total shares, and the list of candidates is reviewed by the Board of Directors in accordance with the law and submitted to the shareholders' general meeting for selection.	No material difference
(III) Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	V		1. The Board of Directors of the Company passed the "Methods to Evaluate Performance of Directors" on May 6, 2019. For the method of performance evaluation and its implementation, please refer to the annual report page 18 for the operation. 2. According to Article 19 of the Company's articles of association, the director's remuneration of the Company shall not exceed 1% of the annual profit. The Remuneration Committee and the Board of Directors determine director remuneration and consider nominations for re-election based on the Company's operating results and the "Remuneration Measures for Directors and Functional Committee Members" and with reference to performance evaluation results.	No material difference
(IV) Does the Company regularly evaluate the independence of the CPAs?	V		The Audit Committee and the Board of Directors of the Company regularly evaluate the independence of certified accountants every year, require certified accountants to provide a "Declaration of Detached Independence" every year, and plan to refer to the "Audit Quality Indicators (AQIs)". The certified CPAs and the Company have no other financial interests or business relationship exception for visa and taxation fees. Confirm that the accounting firm (CPAs and members of its audit team) does not violate the requirements of independence, and submit it to the Audit Committee and the Board of Directors for relevant reports and evaluations. Below is a summary of the evaluation mechanism: 1. CPAs of the Company is not related party with either the Company or its Directors. 2. the Company complies with the provisions of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies to handle the rotation of CPAs. 3. The Company obtained an independent statement issued by the accountant. The evaluation results are as follows: 1. Independence between the CPAs and the Company complies with relevant provisions of the Certified Public Accountant Act of the Republic of China, Code of Professional Ethics for Certified Public Accountant. 2. The Company has not commissioned the same CPA for five consecutive years.	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
IV. Has the TWSE/TPEx listed Company appointed competent and appropriate corporate governance personnel and corporate governance officer be in charge of corporate governance affairs (including but not limited to providing directors and supervisors with the information necessary to carry out their duties, assisting directors' compliance with the law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		The Finance Department is in charge of corporate governance, and the CFO Mr. Sheng-Hsiang Wang is appointed as the Corporate Governance Officer by the BOD, responsible for corporate governance-related matters, and its qualification meets the first item of Article 3, Item 1 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies of the Company's governing officer. Their eligibility is reported to the Board of Directors every year, and they continue to study every year in accordance with the regulations. The major duties for the corporate governance officer are as follows: 1. Handle matters related to the meetings of the Board of Directors, Functional Committees and shareholders' meetings, including planning and formulating agendas, sending notices of meetings within the statutory time limit and providing necessary materials for the meetings, and making minutes after the meetings 2. Assist directors and independent directors to follow laws, take office and continue to study. 3. Provide the information necessary for directors and independent directors to perform their business. 4. Consolidate the latest regulations of the competent authority, and review and revise the Company's Articles of Association and other internal regulations from time to time. 5. Announcement and major information on major Company resolutions according to law. 6. Handle Company registrations and changes in Company registrations according to law. 7. Update and expose various corporate governance information. 8. Other matters stipulated in the Company's Articles of Association or contract. **The implementation status in 2023 is as follows:** 1. 4 Board meetings, 4 Audit Committee meetings, and 2 Remuneration Committee meetings were convened in 2023, with an average attendance rate of 100%. 2. Board members have completed at least 6 credits of advanced courses. 3. The Company has not received any reported incidents of stakeholder-ethical violations. 4. The Company insured liability insurance for directors and important staff. 5. The Company has established deputies for the Accounting Supervisor and accounting staff responsible for compiling the financial statements, and these employees have undertaken 12 hours and 6 hours of advanced studies respectively in accordance with regulations. 6. The roadshow was held 4 times. 7. The Audit Committee invites accountants, auditors and legal personnel to attend the meeting, and discusses with the Audit Committee on relevant issues. 8. The Risk Management Committee regularly conducts risk management reports to the Audit Committee every year. 9. The Unit in charge of Intellectual Property regularly conducts risk management reports to the BOD every year.	No material difference
V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		In order to effectively establish communication channels with interested parties, in addition to implementing the spokesperson system, the Company has set up an "Investor Service" area and an "Investor Mailbox" (IR@BenQMaterials.com) on the official website, as a window for handling shareholder suggestions or disputes, to properly respond to important corporate social responsibility issues of concern to stakeholders.	No material difference

Evaluation Item		Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
		Yes	No	Description	
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		V		The Company has appointed the Taishin Securities Co., Ltd. as the Company's stock affairs agency to manage affairs related to shareholders' meetings.	No material difference
VII. Information disclosure	(I) Has the Company established a corporate website to disclose information, regarding its financial, business, and corporate governance information?	V		Investor Relations section has been set up on both Company's Chinese and English websites, which regularly updates financial, business and corporate governance information as reference for investors.	No material difference
	(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespeople, webcasting investors' conferences, etc.)?	V		An English website has been set up, a designated person is responsible for the collection and disclosure of Company information, and the spokesperson system is implemented. The chief financial officer is the spokesperson. Road shows are organized regularly or irregularly, briefing materials are uploaded on the Company's website, and investor mailboxes are set up to answer investor questions.	No material difference
	(III) Does the Company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?	V		The Company announced and reported the first, second, and third-quarter financial statements of 2023 as well as the operating status of each month on MOPS before the prescribed deadline. The 2023 consolidated and individual financial statements were announced and filed on February 22, 2024, and uploaded to the Company's website simultaneously.	No material difference
VIII. Other important information to facilitate a better understanding of the Company's governance and operation	(I) Employee rights andemployee care	V		The Company's business philosophy is to respect human nature and care for employees. To ensure employee rights and employee care, it has a staff welfare committee, which is composed of representatives of colleagues from various departments. It regularly holds staff welfare committee meetings and formulates various welfare plans, such as organizing club activities, special sales activities, and employee family days. For employee rights, please refer to page 57~61 of this annual report.	No material difference
	(II) Investor relationship	V		The Company has set up an investor service mailbox IR@BenQMaterials.com, and has a dedicated person answering the investor's phone to answer the shareholders' questions in detail, and immediately complete the announcements of the Taiwan Stock Exchange, such as financial statements, corporate governance rules and regulations, and operational results. The content of the meeting will be immediately disclosed on the Company's website, so that investors can understand the Company's operating conditions.	No material difference
	(III) Supplier relationship	V		The Company has established Supplier Evaluation Procedures. The quality and technical capabilities of the supplier, service levels, green products,	No material difference

Evaluation Item		Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
		Yes	No	Description	
				environmental protection, safety and health risks, and social responsibility are reviewed by internal relevant departments. Only those who have passed the evaluation can become partners to the Company. In addition, in order to enhance the smooth communication with suppliers, the Company has set up a supplier service contact mailbox as a communication and complaint channel with the Company, and also built several systems to enhance the efficiency of communication and transparency of information between each other. The Company upholds the Company's culture of integrity and integrity. In the event of illegal matters, please send mail to the integrity mailbox: Integrity@BenQMaterials.com.	
	(IV) Rights of stakeholders	V		The Company has set up different and diversified interaction methods with different stakeholders, which are disclosed in the corporate social responsibility report every year. At the beginning of each year, the Company reports to the Board of Directors on the communication with various stakeholders so that the Board of Directors can hear the voices of the stakeholders.	No material difference
	(V) Continuing Education and Training for the Board of Directors	V		The Company has undertaken the following training pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" from TWSE. For details, please refer to the "Continuing Education and Training for Directors and Managers" on page 39 of the annual report.	No material difference
	(VI) Implementation of risk management policies and risk evaluation measures	V		The Company has a risk management committee that formulates risk management policies and assesses Company risks to reduce business risks. For specific information, please refer to the chapter on risk management on page 71 of the annual report.	No material difference
	(VII) Implementation of customer relations policies	V		The Company maintains a good cooperative relationship with customers, provides high-quality products and services, and also provides multiple channels to let customers, shareholders, and stakeholders immediately know the Company's operating situation and financial status. The Company has set up a contact window for each product on the official website (www.BenQMaterials.com) for inquiries about related product information.	No material difference
	(VIII) Purchase of liability insurance for directors and supervisors	V		TheCompany insures liability insurance and assesses the insurance limit for directors (including independent directors) and managerial officers, so that it can proceed from the investor's rights as a starting point and execute its business prudently. After the insurance is purchased every year, the insurance situation will be reported in the latest board meeting.	No material difference
	(IX) Succession planning and operation of board members and important management	V		Based on future strategic development and transformation planning, combined with the Company's diversified policy planning director succession plan and candidates, the Company regularly holds meetings to discuss and review the succession planning and cultivation of the Company's important management; sets individual development plans based on their individual capabilities and job requirements. Depending on the needs of the organization and individuals, it includes training courses, EMBA in-service training, different-learning studies, job rotation and executive coaching. The purpose is to cultivate the management, leadership, and management capabilities of important management. In particular, the training courses are planned by the Company's training system. In addition to internal training courses, renowned external institutions are also introduced to facilitate the management team in expanding its external perspectives. To foster multi-dimensional strategic views at the management level, the Talent Development Committee will establish management-level rotations based on the organization's needs. A mentorship system is also established to facilitate new managers. In addition to organizing and incubating a well-rounded management reserve to assume subsequent leadership through cross-disciplinary methods, the mentorship system also allows managers to learn up close the strategic views required for corporate management.	No material difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>The 2023 training course information is as follows:
<table><tr><th>Course category</th><th>Total number of courses</th><th>Training hours (hours)</th><th>Total number of trainees</th></tr><tr><td>Management courses</td><td>17</td><td>752</td><td>214</td></tr><tr><td>ESG/AI Course</td><td>6</td><td>106.5</td><td>27</td></tr><tr><td>Technological, market, and regulatory trends</td><td>13</td><td>105.5</td><td>56</td></tr></table></td><td></td></tr>
<tr><td>IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.</td><td>V</td><td></td><td>1. The Company complies with relevant laws and regulations to disclose information on MOPS in real time, with full disclosure of information in annual reports and Company website, with high transparency and timeliness.
2. The Company is in the top 6% to 20% range of the 9th Corporate Governance Evaluation organized by the Taiwan Stock Exchange.
3. Continue to deepen corporate governance, make the Company’s DNA comply with international standards, and announce the annual financial statements before the end of February; and voluntarily provide financial statements in English quarterly to increase international visibility.
4. Annual communication status with stakeholders, intellectual property management plan and risk management operation status are regularly reported to the Board of Directors.
5. Set up a separate communication mechanism between internal auditors and certified accountants and the audit committee.</td><td>No material difference</td></tr>
</table>

(IV) Composition, Duties and Operation of the Remuneration Committee:

The Company's remuneration committee was established on October 25, 2011, and its main responsibilities are:

1. The remuneration committee is composed of 4 members
2. Term of office for this committee: June 16, 2022 to June 15, 2025.
3. Formulate and regularly review the policies, systems, standards and structure of managerial officers and managers performance evaluation and salary and remuneration.
4. Regularly evaluate and determine the remuneration of directors and managerial officers.
5. As of December 31, 2023, the data is presented in the following table:

2023-12-31

Identity	Qualifications / Name	Professional Qualification and Experience	Independence Criteria (Note 1)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director (Convener)	Frank Yeh	Please refer to the Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors (page 1212)	Qualified	1
Independent Director	Louis Y. Y. Lu		Qualified	0
Independent Director	Gong Wang		Qualified	0
Independent Director	Chun-Lin Liu		Qualified	0

(Note 1) Independence: including but not limited to whether the person, spouse, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies; The number and proportion of the Company's shares; whether it is a director, supervisor or employee of a Company that has a specific relationship with the Company (refer to Article 3, Item 1, Items 5-8 of the Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to Be Followed); The amount of remuneration received by the Company or its affiliates for providing business, legal, financial, accounting and other services in the last two years.

A total of 2 Committee meetings were held in the most recent fiscal year. The attendance of the members of the Remuneration Committee was as follows:

Position	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Convener	Frank Yeh	2	0	100%	
Committee Member	Louis Y. Y. Lu	2	0	100%	
Committee Member	Gong Wang	2	0	100%	
Committee Member	Chun-Lin Liu	1	0	100%	2023/5/31 Newly elected

Other matters to be recorded:

I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, content of the proposal, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the proposal, all members' opinions and the response to members' opinion shall be specified: None.

III. Discussions and results of resolutions of the Remuneration Committee and the Company's handling of opinions of the committee members:

Date	Item	Contents of the proposal	Resolutions and implementation
2023.02.23	The fifth Second time	(I) Report market comparison of remuneration result of the General Manager for 2022 (II) Approval of the Directors and Employees Remuneration Distribution Plan for 2022	The proposal was approved unanimously by all the members present, and was submitted to the Board of Directors for resolution.
2023.08.02	The fifth Third time	(I) Approving executive compensation and annual salaries for 2022	

(V) State of Promoting Implementation of Sustainable Developmentand Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof:

<table>
<tr><th rowspan="2">Item of promotion</th><th colspan="3">Implementation state</th><th rowspan="2">Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>I. Has the Company established the governance framework and a dedicated (part-time) unit to promote sustainable development? Has the Board of Directors authorized senior management to handle such matter and to report their supervision to the Board of Directors?</td><td>V</td><td></td><td>1. The Company formulated the “Code of Integrity Management” in 2015, the “Code of Practice for Corporate Social Responsibility” in 2017, and revised it to the “Code of Practice for Sustainable Development” in 2022.
2. The Company established the trans-department ESG Sustainable Committee (renamed in 2020) in 2017, where, the chairman is acted by the CEO, with five subordinated task preparation groups: Supply Chain Group, Product Lifecycle and Innovation Group, Environmental Policy and Management Group, Social Participation Group and Corporate Governance Group; it covers the Company’s R&D, Production, Factory Affair Environmental Protection and Security, Supply Chain Management, HR, Finance and Legal Units, etc., so as to promote implementation of the Company’s sustainable plan from all aspects.
3. The Committee convenes progress meeting of various groups’ plans once half a year, in which various groups shall explain their short-and-mid-term objectives and implementation result; various groups of the Committee also convene intra-group plan progress review meeting, so as to carry out setting of objectives, collaborative operation of various units and implementation tracing of plans. The Committee makes regular inspection of plan promotion achievements of various groups, and the chairman also convenes topic discussion irregularly, so as to draft mid-and-long-term sustainability objectives and strategy priorities of BenQ Materials.
4. In 2021, the Committee formulated mid-and-long-term objectives due to climate change, integrated resources of Product Lifecycle Group and Environmental Policy Group, and laid emphasis on aspects from layout of renewable energies to product development and improvement of production efficiency, etc., hoping to be able to achieve RE100 by 2040 and carbon neutralization objective by 2050.
5. The officer group of ESG Sustainable Committee of BenQ Materials makes a fixed report to the Board of Directors at least once a year. This report, submitted on May 4, 2023, details the previous year’s accomplishments in implementing ESG plans and outlines the short to mid-term goals for the future. The Board of Directors also uses this to supervise whether the team has implemented the sustainable development aspect according to the plan, and gives suggestions on whether there are opportunities for improvement according to the tasks.
6. In the second Board of Directors meeting in 2023, the focus is on aligning the sustainable goals established by the ESG Sustainability Committee with international sustainable development trends. It is recommended that the committee assess the possibility of launching a human rights due diligence investigation and encourage suppliers to collectively support various job types. Furthermore, there is a suggestion to conduct a trial of an internal carbon pricing mechanism to strengthen internal consensus on carbon reduction. In the meantime, in response to corporate governance requirements and the achievements of the Company’s ESG initiatives, a high-level management team incentive system linking rewards to ESG (Environmental, Social, Governance) outcomes has been established. This is designed to signify the Board of Directors’ emphasis on the Company’s level of ESG implementation and its results.</td><td>No material difference</td></tr>
<tr><td>II. Does the Company assess ESG risks associated with its operations based on the principle of materiality and establish related risk management policies or strategies?</td><td>V</td><td></td><td>To cope with global major economic, social and environmental risks, the Company prepared the 2023 Sustainability Report in 2024 in accordance with GRI Sustainability Reporting Standards (GRI Standards) of The Global Reporting Initiative (GRI) released by the (Global Sustainability Standard Board (GSSB), and the risk assessment boundary was based on the Company.
ESG Sustainable Committee made an analysis in accordance with major principles of the sustainability report, summarized important stakeholders’ attention, and impact of the sustainability topic on BenQ Materials’ economic/environmental/social operation. Following discussions among senior executives of the Sustainability Committee in 2023, it was decided to continue with the key disclosure topics identified in 2022, including sustainable supply chain, tax management, innovation management, information security, quality management, climate strategy, talent attraction and retention, occupational safety and health, which are the major issues of the 2023 sustainability report.</td><td>No material difference</td></tr>
</table>

Item of promotion	Implementation state			Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			The following issues have been disclosed:	

Materiality	Important disclosure topics	Description
Governance	Innovation Management	Innovations in a Company's products, business processes, marketing, and organization. Ability to respond to external or internal opportunities and use creativity to introduce new ideas, processes or products.
	Information Security	In order to protect the Company's rights and interests and the goal of sustainable operation, BenQ Materials has established a safe and reliable computerized operating environment to ensure computer data, systems, equipment, and network security and maintain normal operations.
	Quality Management	Improve the quality level with a systematic management process. The quality management system follows the requirements of the ISO and the hazardous substance process management of the electronic component quality assessment system of the International Electrotechnical Commission, formulates relevant management procedures and processes, and expands to each operating base to ensure Its products comply with the new quality system and environmental requirements, effectively controlling the quality status.
Environment	Climate Strategy	In response to global climate change and net zero carbon emission trends, plan short-, medium-, and long-term goals. In the short term, new technologies and new equipment investment including artificial intelligence (AI) will be used to improve the efficiency of production equipment, including energy saving, water saving, and resource recycling.
Society	Sustainable Supply Chain	The establishment of a sustainable supply chain management framework requires all suppliers to comply with sustainable policies or document specifications, including the signing of a corporate social responsibility commitment, a guarantee of non-use of conflict minerals-related regulations and requirements, and the signing of hazardous substance management policies.
	Talent Attraction and Retention	Enhance colleagues' recognition and practice of core values, and at the same time plan a salary and welfare system that meets market demand. Through a range of human resources initiatives, we empower job seekers and colleagues to harness their strengths and thrive in positions that align with their abilities.Job seekers and colleagues can develop their strengths and grow in suitable positions through various human resources actions.
	Occupational Safety and Health	Set up a "Social Responsibility and Environmental Safety and Health Management Committee" in accordance with the Occupational Safety and Health Management Measures to promote occupational safety and health matters, so as to strengthen the occupational safety and health management system professional capabilities of personnel in various departments.

<table>
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<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td rowspan="4">III. Environmental issues</td><td>(I) Has the Company established proper environmental management systems based on the characteristics of the industries?</td><td>V</td><td></td><td>1. BenQ Materials has obtained ISO 14001 environmental management system certification since 2005, and launched an energy-saving improvement project in 2008 to manage and continuously improve environmental performance. Each manufacturing area around the world regularly implements internal and external audits every year to ensure various environmental management standards operation.
2. Conduct GHG inventory and verification every year to improve energy performance and further reduce GHG emissions, track emission reduction results, and disclose the sustainability report on the Company's website.
3. The coverage and period of the Company's passing of relevant international verification standards are shown in the table below
<table>
<tr><th>Management System</th><th>Verification Scope</th><th>Coverage</th></tr>
<tr><td>ISO 14001</td><td>Taoyuan Factory, Longke Factory, Yunke Factory, Suzhou Factory, Wuhu Factory</td><td>100%</td></tr>
<tr><td>ISO 50001</td><td>Taoyuan Factory, Longke Factory, Suzhou Factory</td><td>60%</td></tr>
<tr><td>ISO 14064-1</td><td>Taoyuan Factory, Longke Factory, Yunke Factory, Suzhou Factory, Wuhu Factory</td><td>100%</td></tr>
<tr><td>ISO 46001</td><td>Taoyuan Factory</td><td>20%</td></tr>
<tr><td>ISO 14067</td><td>Taoyuan Factory, Yunke Factory, Wuhu Factory</td><td>60%</td></tr>
</table>
Note: All management systems are within the validity period</td><td>No material difference</td></tr>
<tr><td>(II) Is the Company committed to improving the efficient use of resources and utilize renewable resources to reduce environmental impact?</td><td>V</td><td></td><td>1. Every manufacturing site has full-time employees for management of air pollution, wastewater, waste, etc. according to the type of environmental pollutant generation in the production process, who is responsible for environmental management related affairs, and properly handling various environmental pollutants in compliance with national laws and regulations to reduce the impact of production on the environment. Please refer to page 34 for the implementation.
2. BenQ Materials is committed to the development of membrane technology that does not contain perfluorinated compounds and does not use solvents to make holes, and provides waterproof and breathable fabrics with both high performance and sustainability. It is responsible for the environment and is friendly to the earth.
3. BenQ Materials invites the manufacturers to jointly focus on re-design of the products in the direction of biomass materials and bio-degradable materials that are easy to disassemble, easy to recycle and friendly to environment, so as to reduce carbon footprint together.
4. The products adopt solvent-free materials and processes, reducing carbon emissions and minimizing the harm and impact of organic solvents on human health and the environment.
5. Prioritizing the procurement of green products (those with environmental, water-saving, energy-saving labels, etc.), with a cumulative procurement of NT$8.277 million in 2023.</td><td>No material difference</td></tr>
<tr><td>(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate-related topics?</td><td>V</td><td></td><td>Our Company is managed by the Climate Change Management Task Force under the supervision of the Board of Directors and the Audit Committee in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD). We use the Intergovernmental Panel on Climate Change (IPCC) SSP5-8.5 (RCP8.5 is used for mainland factories due to insufficient external literature), regulations, policies, product demand changes and green inflation transformation scenarios to assess immediate physical risks, long-term physical risks, transition risks and opportunities. We identify and analyze short-, medium-, and long-term climate risks and opportunities within the scope of our business. We have developed a climate change adaptation action plan and conducted management review meetings, taking into account the potential financial impact, urgency, derivative benefits, economic benefits and technological feasibility of response measures. Detailed financial information on climate-related risks and opportunities can be found in the ESG Report, Environmental Sustainability and Climate Change Management section of our official website.</td><td>No material difference</td></tr>
<tr><td>(IV) Does the Company inspect its GHG emissions, water consumption and the total weight of wastes in the past two years? Does the Company formulate policies on GHG reduction, water</td><td>V</td><td></td><td>• BenQ Materials has joined the "GHG Reduction Program of the Industrial Low-Carbon Technology Integration Application Counseling Program" of the Industrial Bureau since 2009, and examines GHG emissions according to the World Business Sustainable Development Association (WBCSD) and the GHG Protocol issued by the Resource Research Institute (WRI).
• GHG reduction, reduction of water use or other waste management policies are detailed in this year's annual report page 34.</td><td>No material difference</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="2">Item of promotion</th><th colspan="3">Implementation state</th><th rowspan="2">Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td>reduction, or waste management?</td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="4">IV. Social issues</td><td>(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>BenQ Materials has announced its Human Rights Policy to all employees in 2023. For details, please refer to the Human Rights Policy section in the download section of the BenQ Materials ESG official website. Please refer to the annual report page 57~61.</td><td>No material difference</td></tr>
<tr><td>(II) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, vacation, and other benefits) and appropriately reflect operating performance or results in employee compensation?</td><td>V</td><td></td><td>1. Article 19 of the Company's Articles of Association has stipulated that employee remuneration shall be 5%-20% of the year's profit.
2. The Company considers the performance of each business unit and individual, and provides reasonable remuneration to employees after being approved by the responsible supervisor.
3. The Company regularly participates in international market salary surveys to adjust salary levels and provide competitive salaries in the market; adjusts annual salary based on the operations of the Company, price index, economic growth rate, and individual performance.
4. For staff welfare measures, please refer to the annual report 59~61.
5. The management system including salary, performance appraisal, promotion and training, etc. shall not be different due to gender, and among all staff in 2023, females accounted for 38%, and female senior supervisors accounted for 29%.</td><td>No material difference</td></tr>
<tr><td>(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</td><td>V</td><td></td><td>The Company attaches great importance to the safety management of the working environment of colleagues. While abiding by the regulations/decrees of the competent authority, each factory has passed the ISO 45001 certification (The scope of verification is Taoyuan Factory, Longke Factory, Yunke Factory, Suzhou Factory, Wuhu Factory). In addition, it actively improves the working environment, avoids exposure to harmful substances in the working environment, which causes health hazards, prevents occupational disasters and occupational diseases, and builds a safe work circle for all employees.
• The occupational safety and sanitation meeting is held every quarter with the deputy general manager as the chairman.
• We conduct on-site inspections for the safety and environmental risks of each plant from time to time, and track improvements in regular industrial safety meetings.
• The manufacturing department supervisor conducts on-site safety inspections on the work environment of colleagues every month.
• Regular safety training and publicity:
<table>
<tr><th>Item/Year</th><th>2022</th><th>2023</th></tr>
<tr><td>Number of participants in industrial safety education and training (people)</td><td>41,077</td><td>25,405</td></tr>
<tr><td>Industrial safety education and training man-hours (hours)</td><td>37,954</td><td>21,661</td></tr>
</table>
• Strengthen the safety awareness of colleagues and establish an incentive bonus system for safety proposals.
• In 2023, there were a total of 4 cases of disability injuries and 4 people, accounting for 0.21% of the total number of employees at the end of 2023, and the goal of zero occupational accidents has not been achieved. The main occupational hazard factor was insufficient active protection of the machines, therefore, the Company carried out parallel examination of the machines in the whole factory, improved unsafe machines, and set fool-proof mechanism, to guarantee operation safety of the employees.
• Each factory regularly carries out two operating environment monitoring every year, and conducts planning, sampling, testing and analysis to ensure that workers are free from harmful substances in the operating environment and workers work in a healthy and comfortable working environment. At the entrances and exits of machine equipment maintenance in the process area, an inductive voice messaging device is established to remind workers of warning messages and reduce the incidence rate of occupational disasters.
• No fire incidents were reported in any of the factory areas in 2023.</td><td>No material difference</td></tr>
<tr><td>(IV) Has the Company established effective career development training plans?</td><td>V</td><td></td><td>1. Create an education training system with perfect system and high quality, and set talent development blueprint, and divide education training courses into 4 colleges according to professional functional requirements: College of Science, College of Quality, College of Engineering and College of Business Management.
2. Provide complete training to new employees, including orientation training for the Company's employees working on the first day, relevant CSR courses (workplace unlawful infringement, integrity advocation, legal</td><td>No material difference</td></tr>
</table>

Item of promotion	Implementation state			Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			concept, quality concept and seven QC means, etc.), and two-day Win Camp held together with group enterprises, etc., so as to help the employees get familiar with the corporate culture rapidly, and cultivate common knowledge and skills ought to be equipped with for work. 3. Purchase online courses and authorize them on the internal training system (LMS), which is convenient for colleagues to learn flexibly, including soft skills such as Excel skills, work efficiency, project management and presentation, sales, and proposal capabilities, as well as AI, data science, and creative thinking. Rich curriculum. 4. By regular discussion of important organization and talent topics via the Talent Development Committee, establish an all-round Business Management Program (BMP), and in combination with physical course, individual case discussion meeting, experience sharing lecture, mentor, job rotation and task assignment and other means, to cultivate future supervisors of public institutions. In addition, it also carried out Successor Inventory Plan, and trained all supervisors to make career interview with the employees, so as to help all employees have a specific orientation of career development and learning focus, and enable excellent talents to be activated within the organization.	
(V) Has the Company complied with relevant regulations and international standards regarding customers' health and safety, customer privacy, marketing and labeling for products and services, and established relevant policy and appeal procedures to protect the rights of consumers or customers?	V		The Company sets up legal and international medical departments, and builds a contract review system, requiring external documents of all departments to be reviewed by legal personnel or regulatory personnel to ensure that they are labeled and marketed in compliance with relevant domestic laws and international standards, and consumer rights and interests are protected. The Company has set up consumer service hotline 0809-092-599 and e-mail Customer@BenQMaterials.com to offer consumer product consultation and multiple customer service complaints channels.	No material difference
(VI) Does the Company have supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety, and health, or labor rights? How is the implementation?	V		1. The Company has established Supplier Evaluation Procedures, and relevant departments are responsible for reviewing items including the suppliers' quality and technical capacity, service standards, environmental protection, safety, and health risks (such as environmental management system ISO 14001, occupational safety and health management system (OHSAS 18001), Code of Ethical Conduct and social responsibility. Only those who have passed the evaluation can become partners to the Company. 2. When selecting suppliers, the Company gives priority to suppliers who provide environmental protection products and machinery, appliances, equipment, parts, and materials with the lowest impact on energy performance, and requires suppliers accordingly. Once the supplier or contractor violates Corporate Social Responsibility policy, it would negatively impact the Company's business relationship with AUO. 3. Establish RBA Audit Group and formulate key supplier appraisal criteria, where the risk area levels will be determined based on suppliers' CSR self-assessment and the signing status of corporate social responsibility codes. In 2023, the completion rate of RBA audit of the suppliers was 100%, with percent of the pass rate being 100%. 4. The Company has organized the ESG Supplier Conference for two consecutive years. The conference serves as a platform to communicate the Company's sustainability philosophy, energy-saving, and carbon reduction goals. Additionally, it invites exceptional ESG-performing suppliers to share their reports.	No material difference
V. Does the Company prepare and publish reports such as its sustainability report to disclose non-financial information of the Company with reference to internationally recognized standards or guidelines for the preparation of reports? Are the reports certified or assured by a third-party accreditation body?	V		1. The Company prepared the Enterprise Sustainability Report in 2020 in accordance with GRI Sustainability Reporting Standards (GRI Standards) of The Global Reporting Initiative (GRI) released by the (Global Sustainability Standard Board (GSSB). Simultaneously, it disclosed information in alignment with the Sustainability Accounting Standards Board (SASB) for the hardware industry and the information and communication field of medical equipment and supplies (voluntarily disclosed in the 2023 Sustainability Report), as well as reference to the spirit of international integrated reporting framework formulated by International Integrated Reporting Council (IIRC). 2. The Company's Enterprise Sustainability Report was assured by SGS Taiwan Ltd. in accordance with the compliance standard of "core options" of GRI standards and specifications for sustainability report as well as moderate assurance grade of Type I in AA1000 Assurance Standards v3,	No material difference

Item of promotion	Implementation state			Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			confirming that this report conformed to requirements of GRI sustainability report standards.	

VI. If the Company has established the sustainable development policies based on the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.
The Company has formulated the "Code of Practice for Sustainable Development" in accordance with the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies." All employees of the Company shall promote and perform corporate social responsibility, relevant regulations for environmental protection, social contribution, social services, public welfare, customer rights, human rights, safety, and health. The overall operation is in line with the spirit of corporate social responsibility, with no major differences. Company website

VII. Other important information to facilitate a better understanding of the Company's implementation state of promoting sustainable development:

◆ **GHG Management**

Company Information	In accordance with the regulations outlined in the Sustainable Development Roadmap for listed and OTC companies, it is imperative to ensure a minimum level of disclosure.
☐ Companies in the steel and cement industries with a capital exceeding NT$10 billion ☐ Companies with a capital exceeding NT$5 billion but less than NT$10 billion ■ Companies with a capital not exceeding NT$5 billion	☐ Parent Company individual investigation☐ and consolidated financial report subsidiary investigation. ■ Parent Company individual assurance ☐, consolidated financial report subsidiary assurance.

1. Each manufacturing base has completed the GHG inventory according to ISO 14064:2018, and the British Standards Institution (BSI) and Taiwan Inspection Technology Co., Ltd. (SGS) and DNV GL Business Assurance Co., Ltd.(DNV) have been commissioned to complete the ISO 14064-1 GHG verification. In order to mitigate the trend of global warming, the Company continued to reduce emission of GHG. At the same time, the Company actively responds to our clients' participation of "Supply Chain Project" survey questionnaires. In the following, based on 2020, it will realize decrease in emission of greenhouse air (mt CO2e) by 30% in 2030.
2. Promote various water saving measures in factories
3. In order to continuously reduce the GHG emissions of products, evaluate the product life cycle, and provide internal measures to formulate appropriate carbon reduction measures through active carbon footprint inspections, and provide customers with understanding and calculation of their own product carbon footprints to enhance the added value to customers.

	2023	2022	2023	2022	Assurance Institutions	Explanation of the Situation
	Total Emissions (mt CO2e)		Intensity (mt CO2e/NT$1 million)			
Category I	17,153.42	19,741.11	1.00	1.27	DNV (Taiwan factory) SGS (Mainlan factory)	Parent Company: Category I and Category II: Reasonable Assurance Category III: Taiwan Factory Limited Assurance; Mainlan Factory - Reasonable Assurance
Category II	24,590.58	33,182.21	1.44	2.14		
Category III	31,090.88	9,645.07	1.82	0.62		

Note: Subsidiaries WEB-PRO Corp, GeneJet Biotech, and Cenefom will be conducting independent inventory statistics starting in 2023.

◆ **Energy Management**

1. Natural gas and non-renewable electricity purchased from power companies are the main sources of energy. In addition, Taoyuan Plant, Yunke Plant and Suzhou Plant use gasoline and diesel for vehicles. Reduce energy consumption by 10% in 2025, with 2018 as the base period. In 2023, compared with 2018, it will decrease by 0.4 (a decrease of 1.18%).

Year	Natural gas (cubic meters)	Electricity (kilowatt-hours)	gasoline (liters)	diesel (liters)	unit (GJ)	unit energy consumption (GJ/ NTD millions of revenue)
2022	681.97	7,355.51	1.23	1.99	522,826.11	33.64
2023	614.62	6,337.85	1.34	0.18	470,280.43	27.46

2. Investment in the construction of solar power plants at the Taoyuan, Yunke, Wuhu, and Suzhou factories to generate electricity for internal use. A total of 2.796 million kilowatt-hours were generated in 2023. In addition, the Taoyuan plant purchased 3.656 million kilowatt-hours of green electricity.

◆ **Waste recycling management**

1. The goal is to reduce the total amount of waste and the recycling of waste. Through process technology improvement, raw material reduction and subsequent recycling and reuse, the waste recovery rate has reached 90% since 2014. In terms of waste treatment, we select qualified waste removal and treatment manufacturers and the most suitable treatment methods, and follow vehicles to track and control the flow of waste from time to time. There are plans to import self-factory processing equipment of wastes, distillation EAC import and recycling and other schemes, and based on 2018, it is aimed to reduce output of unit waste by 10% in 2025.

Year	Hazardous waste (t)	Non-hazardous waste (t)	Waste output (t)	Density per unit-of waste (kg/NTD millions of revenue)
2022	399.5	2,837.6	3,237.1	208.30
2023	415.6	2,256.9	2,672.5	156.04

◆ **Water Resources Management**

Starting from the sustainable use of water resources, BenQ Materials has implemented water-saving plans for the three major aspects (accounting for 80%) of manufacturing, cooling tower and boiler water. Implementing solutions such as mixed-bed two-way washing water recycling, improving water production efficiency and recovery volume in MBR, recycling and reusing RO concentrated water, recycling and reusing process wastewater, adjusting the discharge

Item of promotion	Implementation state			Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	

frequency of cooling tower effluent to reduce water consumption, recycling and reusing air conditioning condensate water, replacing cooling tower heat exchanger fins, and MAU condensate water recovery. Based on 2018, it is aimed to reduce consumption of water resources by 10% in 2025.

Year	Total Water Consumption (Million liters)	Water Discharge (Wastewater) (Million Liters)
2022	425.85	360.61
2023	342.35	269.24

◆ **Award-winning records in the past two years**

2023:

- Won the Silver Award of the 5th National Enterprise Environmental Protection Award.
- Received the Taoyuan City Government Green Procurement Excellence Award and the Corporate River Adoption Excellence Award.
- Longke Factory was awarded the Excellent Occupational Safety Unit of Hsinchu Management Bureau.
- The construction site of Yunke Factory has been honored with the Special Award for Excellent Construction Project Evaluation by the Environmental Protection Bureau of Yunlin County Government.
- This project was chosen as a representative example of pollution and carbon reduction by the Suzhou Industrial Park Emergency Management Bureau. It also serves as a demonstration unit for environmental management of rental carriers within the park.

2022:

- Won the Silver Award of the 4th National Enterprise Environmental Protection Award.
- Longke Factory was awarded the Excellent Occupational Safety Unit of Hsinchu Management Bureau.
- Yunke Factory was awarded the Ministry of Labor Occupational Safety and Health Excellent Unit, Yunlin Industrial Zone Occupational Safety and Health Excellent Unit, Yunlin County Occupational Safety and Health Excellent Personnel, and Yunlin County Health Promotion Excellent Workplace.
- Selected as Taiwan's Excellence in Corporate Social Responsibility by CommonWealth Magazine - Top 50 Large Enterprises.
- The Taoyuan factory was awarded the Taoyuan City Maternal Health Protection Alliance-Model Institution.
- Chosen as a socially responsible enterprise for ensuring safety in industrial parks by the Suzhou Industrial Park Emergency Management Bureau. Additionally, we have been acknowledged as a prominent leader in park safety production.

Social Responsibility:

The Company believes that giving back to society is not limited to monetary donations but shall also encompass dedicating efforts, donating materials, and offering services to the public. In order to satisfy the employees' desire to participate in social welfare, the Company is committed to promoting volunteer services, so that employees can participate in volunteer activities for self-realization, and at the same time work for a better Taiwan society by supporting Taiwan's agricultural products, clean beaches and streams, tree planting activities and ecology rehabilitation. We are committed to practicing "eco-sustainable development". The main contents of various social activities are summarized as follows:

1. **Support Taiwan's agricultural products-agricultural product sales**: The Company regularly holds agricultural product sales. In addition to cooperating with local farmers with local organic fruits and vegetables from the Maliguang tribe in Jianshi Township, Hsinchu County, it will also track the latest market information. Due to natural disasters or other force majeure factors, the premium agricultural products are cooked and served to the Company's employees, and the price difference in the middle is actually given back to the farmers. The purchase amount in 2023 is NT$ 417,515.
2. **Give back to the society-Child Support Program:**the Company's employees form a caring society, Reindeer Society. It provides transparent and convenient channels, brings together kindness and implementing actions, and assists the groups in need. Members of the Reindeer Society participate in the Support Program of the Landi Children's House in Taoyuan. Invoices, small changes, specific materials are donated by the colleagues, which meet the daily life needs of the children.
3. Clean Home - Beach Cleaning Activity: In 2023, our Company calls on colleagues to respond to environmental protection and care for the Earth through concrete actions, cultivating the spirit and principles of environmental conservation for the next generation. In 2023, a total of 47 volunteers were called to carry out beach cleaning activities at Yunlin and Taoyuan's Xinjie Creek.
4. **Charity donations:** The Company has donated NT$ 3 million to the BenQ Foundation in 2023 to realize the corporate vision of "Wonderful Information Life."
5. **Establishment of Miacare Vision Hope Fund:**We conduct long-term cooperation with Jiafu Foundation and Kobayashi Glasses every month to provide free prescription glasses for disadvantaged children to solve and correct the vision problems of vulnerable children in a timely manner. In 2023, we partnered with the Yulin Tuku Industry and Commerce Woodball Team to solve the needs of students to wear contact lenses during practice or competitions. As the year of 2023, 2,228 children from low- and middle-income families have been assisted.
6. **Develop science education**: Sainz Science Camp, which is composed of internal volunteers, went to Taoyuan or Yunlin to hold a one-day science experience camp or a half-day science course. This year, five science camps were held, involving a total of 37 volunteers and 127 middle and high school students. The cumulative number of camp participants reached 748, and the overall satisfaction rating was 4.9 points.

(VI)Implementation of integrity management and deviation from the Integrity Management Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:

Evaluation Item		Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
		Yes	No	Description	
I. Establishment of integrity management policies and plans	(I) Does the Company have policies and practices for integrity management passed by the BOD and clearly state them in regulations and publicly available documents? Do the BOD and senior management make commitments to actively implement those business policies?	V		The "Code of Ethical Management" disclosed on the Company's website is approved by the Board of Directors. In addition, the Company has also formulated a manual regarding ethical corporate management. Moreover, Board members and all employees must sign the "Ethic Declaration." In addition, every year, the effectiveness and outcomes of the Code of Ethical Management are reported regularly to the Board of Directors, and publicly disclosed in the annual report and Sustainability Report.	No material difference
	(II) Does the Company establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Company formulate a plan to prevent unethical conduct, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the Integrity Management Best-Practice Principles for TWSE/GTSM Listed Companies?	V		The Company has developed an assessment mechanism for unethical risks, and set out the following precautionary measures for the following unethical conduct in the corporate ethics manual: I. Offering and acceptance of bribes. II. Provision of illegal political contribution. III. Improper charitable donations or sponsorship. IV. Offering or acceptance of unreasonable presents, hospitality, or other improper benefits. V. Infringement of trade secrets, trademark rights, patent rights, copyrights, and other intellectual property rights. VI. Engaging in unfair competitive practices. VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services. The Company regularly analyzes and evaluates business activities with a high unethical risk. We also arrange legal compliance courses every year for employees to comply with the necessary norms when dealing with related businesses at work. Those who violate the corporate integrity policy shall be punished according to the severity of the circumstances, and information such as the title and name of the violator, date and details of the violation, and the actions taken in response shall be immediately disclosed on the Company's internal website. The Company has established work rules for employees. Breach of integrity shall be reviewed by the personnel evaluation committee composed of high-level executives across the unit. Any material breach of the principle of integrity will be reported to the Audit Committee or the Board of Directors in accordance with relevant laws and operating procedures. Based on the risk assessment, the audit office conducts sampling assessments of related processes and operations to avoid the occurrence of violations of integrity.	No material difference
	(III) Does the Company specify the operating procedures, behavior guidelines, disciplinary penalties, and grievance system in the plan to prevent dishonesty, implement it, and regularly review and revise the pre-disclosure plan?	V		1. Employee work rules are the highest code of conduct for all employees of the Company to conduct business activities. When new employees join, the Company implements the education and training "Corporate Culture: Code of Integrity Management" to remind employees to abide by it, and publicize irregularly to strengthen colleagues' sense of integrity. All employees of the Company shall strictly abide by the work rules. In the event of corruption and fraud of the employee, the employee shall be subject to the punishment of expulsion according to the Company's "Reward and Punishment Measures." For example, those who engage in malpractice, embezzlement, give or receive any bribes or commissions; those who engage in business abroad, which affect the Company's interests and business conflicts, with serious circumstances; those who imitate the signatures of superior supervisors or misappropriate printed letters; are all violations that should be dismissed and are subject to regular review of the corrective action plan. 2. Internal complaint channels of this Company include: Immediate Supervisor, HR Supervisor, Auditor and "Internal Communication Mailbox", "General Manager's Mailbox", "HR Employee Relationship Contact Window" and special line for sexual harassment; the external complaint channel is Supervisor of the Audit Office - Integrity@BenQMaterials.com	No material difference

Evaluation Item		Implementation Status: Yes	No	Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
II. Fulfillment of integrity management	(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the business partners?	V		The Company has established Supplier Evaluation Procedures. The quality and technical capabilities of the supplier, service levels, green products, environmental protection, safety and health risks, and social responsibility are reviewed by internal relevant departments. Only those who have passed the evaluation can become partners to the Company. In addition, to strengthen the efficiency of communications with suppliers, the Company sets up a reporting system for whistleblowing of professional ethical violations (Integrity@BenQMaterials.com) as a channel for communication and complaints with the Company and has also established multiple systems to enhance the efficiency of communication and information transparency. The Company clearly specified the cooperation principle of honesty and integrity in the procurement contract, and signs the letter of integrity. In case of any breach, the Company may terminate the contract or permanently discontinue cooperation with the Supplier.	No material difference
	(II) Has the Company established an exclusively (or concurrently) dedicated unit under the BOD to implement integrity management, and report to the BOD on a regular basis (at least once per year) on ethnic operation policies as well as precautionary measures against unethical conduct and their implementation information?	V		The promotion of the Company's integrity management, from the formulation of rules, education and advocacy, and complaint mechanisms to the inspection of integrity risks, are responsible for the following units, and the implementation status is reported to the Board of Directors at least once a year: 1. The formulation of regulations and the planning of education promotion are the responsibility of the Human Resources Department. At present, the "Employee Integrity Regulation" emphasizing the culture of integrity management and the "disciplinary measures" standards for disciplinary incidents have been established. 2. The assessment and inspection of integrity risk is the responsibility of the legal affairs and risk control department, in order to strengthen the various operational processes, implement the division of power and responsibility and reduce fraud through the system. 3. Any breach of integrity shall be reviewed by a major disciplinary committee composed of high-level inter-departmental executives. In the event of a major breach of integrity, the Company will report to the board of directors in accordance with relevant regulations and operating procedures to report on the implementation.	No material difference
	(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policies properly?	V		While pursuing enterprise growth, the Company adheres to the attitude of integrity management, provides customers with quality products and services, and maintains a frank and transparent relationship with its suppliers. To prevent conflicts of interest, the Company has established relevant policies and appropriate presentation channels for stakeholders to use. At present, the Company has internal complaint mailboxes for the Human Resources Department, and externally established investor mailboxes, stakeholder mailboxes, and dedicated telephone lines as channels of complaints.	No material difference
	(IV) To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems and assigned an internal audit unit to develop relevant auditing plans according to the assessment results of unethical conduct risks? Does the Company inspect the implementation of such auditing plans or assign CPAs to implement the auditing?	V		1. The Company constantly revises the internal control system, and checks and evaluates the effectiveness of the implementation of the internal control system in accordance with the requirements of laws and regulations. The internal audit unit assesses risks, draws up an annual audit plan in accordance with the internal control system, and implements relevant audits according to the plan. Any breach of the Code of Integrity Management of the Company will be included in the audit results and reported to the Audit Committee and the Board of Directors on a regular basis so that the management understands the implementation of the Company's internal control to achieve the purpose of management. 2. The Company's accounting system is established in accordance with legal requirements. CPAs perform examination or verification work on the Company's financial statements quarterly, and issue reports, and regularly report the verification or verification results to the Audit Committee and the Board of Directors.	No material difference
	(V) Does the Company regularly hold both internal and external educational training on integrity management?	V		The Company takes "integrity" as its core value of enterprise spirit. The Company regularly holds both internal and external educational training on integrity management, and also arranges newcomer training camps for new employees, and use corporate culture courses to foster employees' recognition of the concept of integrity and strengthen employee self-discipline. The Company's implementation of integrity management in 2023 is as follows:	No material difference

<table>
<tr><th rowspan="2" colspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td></td><td>
<table>
<tr><th>Course Name</th><th>Hours</th><th>Description</th><th>2022 Attendees</th><th>2023 Attendees</th></tr>
<tr><td>Newcomer Integrity Course</td><td>0.5 hour</td><td>Required courses for all new colleagues</td><td>478</td><td>385</td></tr>
<tr><td>Integrity Code Online Course</td><td>0.25 hours</td><td>All employees of the Company need to complete online courses</td><td>1,695</td><td>1,624</td></tr>
<tr><td>Insider Trading Prevention Course</td><td>2 hours</td><td>The legal unit regularly holds lectures for supervisors or colleagues</td><td>101</td><td>123</td></tr>
<tr><td>Propaganda of Trade Secrets Act</td><td>2 hours</td><td>Announcement through the Company's electronic newsletter every year, regular lectures for supervisors or colleagues</td><td>82</td><td>124</td></tr>
</table>
</td><td></td></tr>
<tr><td rowspan="3">III. Status of the whistleblowing system</td><td>(I) Does the Company establish both a whistleblowing/reward system and convenient whistleblowing channels? Are appropriate personnel assigned to the accused party?</td><td>V</td><td></td><td>The Company's integrity-related regulations specify that illegal incidents must be notified immediately. Any person concerned with any business of the Company may lodge a complaint through the following channels if the person finds any breach of integrity during the course of business:
Internal channels: direct supervisor, human resources supervisor, auditors and general manager mailbox.
External channels: Ethics violation complaint mailbox (Integrity@BenQMaterials.com)。
After whistleblowing, the investigation procedure will be initiated. The responsible personnel, including members of the audit unit, will set up a committee to conduct the investigation. Based on the seriousness of the circumstances and the level of involvement, assess whether the case will be further reviewed by the personnel review committee composed of inter-departmental supervisors. Once the case is verified to cause major damage to the Company, the committee will prepare a report and notify the Audit Committee in writing.</td><td>No material difference</td></tr>
<tr><td>(II) Does the Company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?</td><td>V</td><td></td><td>Regarding the handling of whistleblowing, the Company regulates the standard operating procedures and related confidentiality mechanisms for complaints based on employee work rules, employee complaint management measures and sexual harassment prevention and treatment measures; the person responsible for handling the case is responsible for the identity of the whistleblower and the content of the report. Keep the files encrypted to protect the reporter.</td><td>No material difference</td></tr>
<tr><td>(III) Does the Company take measures to protect the whistleblowers from improper disposal due to the whistleblowing?</td><td>V</td><td></td><td>The Company's integrity-related regulations clearly stipulate that the Company will strictly keep the investigation content and results confidential and ensure that the rights and interests of the relevant personnel are not damaged.</td><td>No material difference</td></tr>
<tr><td colspan="2">IV. Strengtheninginformation disclosure
Does the Company disclose the ethical corporate management policies and the results of its implementation on the Company website and MOPS?</td><td>V</td><td></td><td>The Company discloses the relevant contents of integrity management policies and implementation of integrity management on the official website and the annual report for the stakeholders.</td><td>No material difference</td></tr>
<tr><td colspan="6">V. If the Company has established the integrity management policies based on the Integrity Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.
The Companyformulated the "Code of Integrity Management" in 2015 based on the "Integrity Management Best-Practice Principles for TWSE/TPEx Listed Companies". The overall operation situation is not significantly different from the "Integrity Management Best-Practice Principles for TWSE/TPEx Listed Companies", which is disclosed on the Company's website.</td></tr>
<tr><td colspan="6">VI. Any other important information to facilitate a better understanding of the Company's integrity management practices:
1. The HR, legal affairs, and risk control department regularly evaluate whether the design of the operation process can properly prevent risks such as operation and corruption, review the effectiveness of the internal control mechanism, collect the recommendations of the senior executives of each unit for various potential risks, and formulate the audit plan. In</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	

order to carry out relevant checks, the results of the checks are regularly reported to the Audit Committee, so that the management can understand the current status of corporate governance and achieve the purpose of management.

2. Keep employees informed of the integrity culture within the Company through regular broadcasts, and electronic bulletin boards, etc. Moreover, the Corporate Integrity Handbook is announced to be the Code of Conduct for all employees. To ensure that all employees can implement Integrity in their work, the Code offers a guide to behavioral conduct, case studies, and examples for the Company's Corporate Integrity Policy, standards on working with business partners, standards on working with government agencies, Intellectual Property rights, conflict of interest, information system security, insider trading, and anti-trust.
3. For other information about the Company's integrity management, please refer to the content of the Company's sustainable development reports over the years.

(VII) Please disclose the access to the Company's Corporate Governance Principles and related rules and regulations, if any:

The Company has established "Corporate Governance Principles" by the resolution of the Board of Directors on 30 October 2015. It stipulates regulations to protect shareholders' rights, strengthen the functionality of the Board of Directions, respect stakeholders' rights, and enhance information transparency. Moreover, based on the corporate governance assessment by the TWSE, the Company reviews the actual implementation of evaluation indicators one by one. The Company hopes that these measures will help the Company gradually construe a positive corporate governance system to enhance its effectiveness in corporate governance. For the Company's corporate governance operations, please refer to the corporate governance operations in this annual report and the Corporate Governance Report. Our company's "Corporate Governance Guidelines" can be found on our company's website(www.benqmaterials.com.tw).

(VIII) Other important information helpful for understanding corporate governance:

1. On August 27, 2009, the Company passed the resolution of the Audit Committee and the Board of Directors to formulate the "Major Information Processing and Preventing Insider Transaction Operation Procedures" and has announced to managerial officers and employees that they are aware of the relevant agreements and rules.
2. The Company's directors, independent directors and managerial officers and other insiders, when taking office, will be given the latest version of the "Directors and Supervisors Manual" and "Directors and Supervisors' Publicity Information" prepared by the competent authority, and the latest update of "Manual for the Publicity of Listed Company Insider Equity Transactions" of the Taiwan Stock Exchange.
3. The Company currently has three independent directors, and the independent directors form the Audit Committee and Remuneration Committee to strengthen corporate governance operations.
4. The Company's corporate governance related information is disclosed on the Company's website (www.benqmaterials.com.tw).
5. The training of directors, managerial officers and financial and audit supervisors in the most recent year:

Position	Name	Date	Hours	Course Name	Training Institution
Chairman	Zhien-Chi (Z.C.) Chen	2023/06/01	3	Establishment and Key Aspects of Corporate Intellectual Property Management System	TIRI (Taiwan Investor Relations Institute)
		2023/08/18	3	Big Data Analysis and Fraud Prevention	Corporate Governance Association
Director	Kuen-Yao (K.Y.) Lee	2023/06/01	3	Establishment and Key Aspects of Corporate Intellectual Property Management System	TIRI (Taiwan Investor Relations Institute)
		2023/12/01	3	Tax Governance in the New Tax Environment	TIDA (Independent Director Association Taiwan)
Director	Peter Chen	2023/06/01	3	Establishment and Key Aspects of Corporate Intellectual Property Management System	TIRI (Taiwan Investor Relations Institute)
		2023/12/01	3	Tax Governance in the New Tax Environment	TIDA (Independent Director Association Taiwan)
Director	Conway Lee	2023/06/01	3	Establishment and Key Aspects of Corporate Intellectual Property Management System	TIRI (Taiwan Investor Relations Institute)
		2023/09/15	3	How are the board meetings conducted? Common Deficiencies in the Proceedings of Board Meetings in Listed Companies - Practical Sharing	Corporate Governance Association
Director General manager	Ray Liu	2023/06/01	3	Establishment and Key Aspects of Corporate Intellectual Property Management System	TIRI (Taiwan Investor Relations Institute)

Position	Name	Date	Hours	Course Name	Training Institution
		2023/06/02	3	Exploring Practices in Business Litigation and Dispute Resolution	Corporate Governance Association
		2023/07/07	3	AI Boom: Technological Development and Business Opportunities in ChatGPT	Corporate Governance Association
Independent Director	Frank Yeh	2023/05/11	3	ChatGPT Sparks an AI Craze: Industry Opportunities	Taiwan Institute of Directors
		2023/08/10	3	Organizational Strategy and Key Talent Development Beyond the Organizational Framework	Taiwan Institute of Directors
Independent Director	Louis Y. Y. Lu	2023/03/03	3	Key Information and Responsibility Analysis in the Annual Report: Perspectives from Directors and Supervisors	Corporate Governance Association
		2023/03/17	3	How are the board meetings conducted? Common Deficiencies in the Proceedings of Board Meetings in Listed Companies - Practical Sharing	Corporate Governance Association
Independent Director	Gong Wang	2023/03/14	3	The Impact of Climate Change Trends on Business Risks and Opportunities	Corporate Governance Association
		2023/06/30	3	Global Future Risks and Opportunities for Sustainable Transformation	Corporate Governance Association
Independent Director	Chun-Lin Liu	2023/7/7	3	AI Boom: Technological Development and Business Opportunities in ChatGPT	Corporate Governance Association
		2023/7/21	3	How Startups Should Conduct Equity Planning and Organizational Structure Design	Corporate Governance Association
		2023/8/4	3	The Role of Directors and Compliance Responses to Management Challenges under Corporate Governance 3.0	Corporate Governance Association
		2023/8/11	3	The Role and Responsibilities of the Board of Directors/Top Executives in ESG Governance	Corporate Governance Association
Vice President	Oliver Liu	2023/06/09	3	Driving Corporate Sustainability through Risk Management - Guidelines for Risk Management Practices in TWSE/TPEx Listed Companies	Corporate Governance Association
		2023/08/16	3	Advanced Seminar on Directors, Supervisors (including Independent Directors), and Corporate Governance Executives - 2023/2050 Green Industrial Revolution	Securities and Future Institute
		2023/08/18	3	Big Data Analysis and Fraud Prevention	Corporate Governance Association
		2023/12/05	3	Sustainable Development Action Plan for Listed Companies	Accounting Research and Development Foundation
Vice President	Charles Liu	2023/02/14	3	The Evolving Landscape of Corporate Governance in the Era of ESG Trends	Corporate Governance Association
		2023/04/18	3	Corporate Growth Strategy and External Innovation	Corporate Governance Association
		2023/05/05	3	Trends in Corporate Governance and Corporate Sustainable Development	Corporate Governance Association
Chief Accounting Officer Chief Financial Officer Chief Corporate Governance Officer	Sheng-Hsiang Wang	2023/04/28	3	Board Members' Practical Responses to the Information Technology Wave	Corporate Governance Association
		2023/05/12	3	Trends in ESG and Discussions on Global and Taiwan Tax Reform and Corporate Tax Governance in the Pandemic Environment	Corporate Governance Association
		2023/06/09	3	Driving Corporate Sustainability through Risk Management - Guidelines for Risk Management Practices in TWSE/TPEx Listed Companies	Corporate Governance Association
		2023/09/08	3	Initiation of Succession Plan - Employee Compensation Plan and Equity Succession	Corporate Governance Association
		2023/12/28~12/29	12	Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	Accounting Research and Development Foundation
Chief internal auditor	Pi-Lien Hung	2023/10/29	6	Practical Guide to Auditing the Manufacturing Material System	Internal Audit Association of the Republic of China
		2023/10/24	6	Information business audit practice workshop	Internal Audit Association of the Republic of China

(IX) Implementation of Internal Control System

1. Statement of Internal Control System:

BenQ Material Corporation
Statement of Internal Control System

Date: February 22, 2024

The Company hereby states the results of the self-evaluation of the internal control system for 2023 as follows:

I. TH's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The objective of the internal control system lies in providing a reasonable guarantee for achieving business benefits and efficiency (including profitability, performance, and protection of assets and safety), ensuring the reliability, timeliness, transparency, and regulatory compliance with relevant norms and laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.

IV. Aurora has evaluated the design and operating effectiveness of the internal control system according to the Regulations.

V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2023, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.

VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement has been approved on February 22, 2024, by the Board of Directors, and out of the 9 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

BenQ Material Corporation

Signature of Chairman: Zhien-Chi (Z.C) Chen

Signature of General Manager: Ray Liu

2. A separate audit report shall be disclosed where an independent registered public accounting firm has reviewed the Company's internal control system: N/A

(X) Penalties Imposed upon the Company and the Company's Employees According to Law, Penalties Imposed by the Company upon Employees for the Violation of the Internal Control System Policy, Principal Deficiencies, and Improvement Status during the Most Recent Fiscal Year up to the Date of Publication of the Annual Report: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report

Date	Item	Major Resolutions
2023.02.23	1st Board of Directors meeting in 2023	I. Approved of 2022 Financial Statements, Business Report and the 2023 Business Plan II. Approved of not continuing to handle the private placement of securities approved by the shareholders' regular meeting in 2022 III. Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement IV. Approval of the donation to the BenQ Foundation V. Approved of the proposal on matters concerning the Company's 2023 regular shareholders' meeting
2023.05.03	2nd Board of Directors meeting in 2023	I. Ratification of 2023 Q1 financial statements
2023.05.31	2023 Shareholder Meeting	I. Special election for Independent Director Elected Independent Directors: Chun-Lin Liu Execution Status: Registered by the Ministry of Economic Affairs on June 12, 2023. II. Ratification of the Company's 2022 Business Report and Financial Statements Implementation: Approved by shareholder's vote III. Recognition of 2022 Earnings Distribution Plan Implementation status: Approved by shareholders' voting, the ex-dividend base date is July 24, 2023, and paid on May 31, 2023 in accordance with the resolution of the shareholders' meeting. The cash dividend payment amount is NT$ 2 per share, the total amount of the cash dividend is NT$ 641,349,028. IV. Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement Implementation: Approved in the shareholders' voting. V. Adoption of the Revised Rules of Shareholders' Meeting Implementation: Approved by shareholder's vote VI. Approval of the proposal for the waiver of non-competition clauses for current Directors and their representatives. Implementation: Approved by shareholder's vote
2023.08.02	3rd Board of Directors meeting in 2023	I. Ratification of 2023 Q2 financial statements
2023.11.02	4th Board of Directors meeting in 2023	I. Ratification of 2023 Q3 financial statements
2024.02.22	1st Board of Directors meeting in 2024	I. Approved of 2023 Financial Statements, Business Report and the 2024 Business Plan II. Approved of not continuing to handle the private placement of securities approved by the shareholders' regular meeting in 2023

Date	Item	Major Resolutions
		III. Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement IV. Approved of the proposal on matters concerning the Company's 2024 regular shareholders' meeting

Note: The above list is based on the information published in the MOPS.

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of this annual report: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, General Manager, Accounting Supervisor, Financial Supervisor, Chief Internal Auditor, Corporate Governance Supervisor and R&D Supervisor, and R&D during the most recent year and up to the date of publication of this annual report: None

(XIV) Obtaining of relevant licenses by the Company and financial information transparency related personnel

License Obtained	Authorities issuing licenses	Number of Shareholders
R.O.C CPA	National Examination Department	1
Senior Securities salesperson	Securities and Future Development Foundation	1
Junior securities salesperson	Securities and Future Development Foundation	1
Stock Affairs Specialist Exam	Securities and Future Development Foundation	3
Testing of corporation governance	Securities and Future Development Foundation	2
Trust Representative	Taiwan Academy of Banking and Finance	4
Internal auditor	Internal Audit Association of the Republic of China	2

CPA Fees Information

(I) CPA Fees Information

Amount unit: NT$ thousand

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees					Note
				System Design	Company Registration	Human Resources	Others (Note)	Subtotal	
KPMG	Tzu-Chieh Tang Ching-Wen Kao	2023.01.01~ 2023.12.31	4,004	-	-	-	680	680	Note: It refers to transfer pricing public fees and tax visa services.

(II) If the non-audit public fees paid to the CPAs, the firm to which the CPAs belongs, and its affiliated enterprises are more than a quarter of the audit public fees, the amount of the audit and non-audit public fees and the content of the non-audit services shall be disclosed: N/A.

(III) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A.

(IV) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed:
N/A.

Replacement of CPAs

None.

The Company's Chairman, General Manager, or Any Manager in Charge of Finance or Accounting Matter in the most recent year held a position at the Accounting Firm of its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm.

None

Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Manager, or Shareholder with a Stake of More than 10%

In the most fiscal year and up to the date of publication of the annual report, the transfer of shareholding and changes in shareholding pledges of directors, supervisors, managerial officers and shareholders holding more than 10% of the share:

(I) Changes in shareholdings of Directors, Supervisors, Mangers, and Major Shareholders:

Unit: Share

Position (Note 1)	Name	2023		As of April 1, 2024	
		Change in Number of Shares Held	Change in Shares Pledged	Change in Number of Shares Held	Change in Shares Pledged
Chairman of the Board of Directors	Qisda Corporation	-	-	-	-
Representative Chairman and CEO	Zhien-Chi (Z.C.) Chen	126,134	-	-	-
Director Representative	Peter Chen	-	-	-	-
Director Representative	Ray Liu	94,600	-	-	-
Director	Kun-Yao (K.Y.) Lee	-	-	-	-
Corporate Director	BenQ Corporation	-	-	-	-
Director Representative	Conway Lee	-	-	-	-
Independent Director	Frank Yeh	-	-	-	-
Independent Director	Louis Y. Y. Lu	-	-	-	-
Independent Director	Gong Wang	-	-	-	-
Independent Director	Chun-Lin Liu	-	-	-	-
General manager	Ray Liu	94,600	-	-	-
Vice President	Oliver Liu	56,222	-	-	-
Vice President	Charles Liu	79,576	-	-	-
Senior Manager	Lung-Hai Wu	42,044	-	-	-
Senior Manager	Chen-Kuan Kuo	42,044	-	-	-
Senior Manager	Ting-Yuan Chiang	42,044	-	-	-
Senior Manager	Chao-Yi Yang	42,044	-	-	-
Finance Associate General Manager	Shen-Hsing Wang	42,041	-	-	-
Major Shareholder	Qisda Corporation	-	-	-	-
Major Shareholder	BenQ Corporation	-	-	-	-

(Note 1) The position is the information on publication date of annual report.

(II) Stock transfer with related party: None.

(III) Stock Pledge with related party: None.

Relationships among the Company’s ten largest shareholders

April 1, 2024 Unit: Thousand shares; %

Name	Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Among 10 largest shareholders, name and relationship with anyone who is a related party under no. 6 of the financial and accounting standards or a relative within the second degree of kinship		Note
	Number of shares	%	Number of shares	%	Number of shares	%	Designation (or name)	Relationship	
BenQ Corporation Director Representative: Conway Lee (Shareholding: 99 thousand shares)	80,848	25.21%	-	-	-	-	Qisda Corporation	Parent and Subsidiary Company	-
							Gordias Investment Limited	Parent and Subsidiary Company	-
							Kun-Yao (K.Y.) Lee	Director	-
Qisda Corporation Director Representative: Zhien-Chi (Z.C.) Chen (shareholding: 1,485 thousand shares) Peter Chen (shareholding: 73 thousand shares) Ray Liu (Shareholding: 248 thousand shares)	43,659	13.61%	-	-	-	-	BenQ Corporation	Parent and Subsidiary Company	-
							Gordias Investment Limited	Parent and Subsidiary Company	-
							Kun-Yao (K.Y.) Lee	Director	-
Gordias Investment Limited Principle: Qiu-Jin Hong (shareholding: 153 thousand shares)	15,182	4.73%	-	-	-	-	Qisda Corporation	Parent and Subsidiary Company	-
							BenQ Corporation	Affiliates	-
Kun-Yao (K.Y.) Lee	4,580	1.43%	775	0.24%	-	-	BenQ Corporation	Director	-
							Qisda Corporation	Director	-
Taishin International Commercial Bank is entrusted with BenQ Materials’ employee shareholding trust property account	3,644	1.14%	-	-	-	-	-	-	-
Dongmu Association	3,327	1.04%	-	-	-	-	Kun-Yao (K.Y.) Lee	Chairman	-
Zhien-Chi (Z.C.) Chen	1,485	0.46%	31	0.01%	-	-	-	-	-
Xi-Hua Li	1,149	0.36%	-	-	-	-	-	-	-
Chung-Yao Hung	1,070	0.33%	-	-	-	-	-	-	-
Citi (Taiwan) Commercial Bank is entrusted with UBS European SE investment account	1,028	0.32%	-	-	-	-	-	-	-

Comprehensive shareholding ratio information

Total Number of Shares Held in Any Single Enterprise by the Company, Its Directors, Managers, and Any Companies Controlled Directly or Indirectly by the Company, and its comprehensive shareholding ratio information is as follows:

December 31, 2023; Unit: Thousand shares

Investee business	Ownership by the Company		Investment directly or indirectly controlled by directors, supervisors, and managers of BenQ Material (Note 1)		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Visco Vision Inc.	9,334	14.82%	1,003	1.59%	10,337	16.41%
Cenefom Corporation Limited	11,646	50.98%	530	2.32%	12,176	53.30%
Genejet Biotech Co. Ltd	4,070	75.63%	-	-	4,070	75.63%
MLK BIOSCIENCE CO., LTD.	217	20.00%	-	-	217	20.00%
Coatmed Incorporation	598	9.98%	-	-	598	9.98%

Note 1: The reinvestment business held by directors and managers as of the Company’s book close date.

Capital Overview

Capital and Shares

(I) Source of Capital

1. Source of Capital

Unit: NT$ thousand, thousand shares

Year/ Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Note		
		Number of Shares (thousand shares)	AMOUNT NT$ thousand	Number of Shares (thousand shares)	AMOUNT NT$ thousand	Source of Capital	By Cash Offset Payment for Shares	Others
1998.07	10	1,000	10,000	1,000	10,000	Establishment of share capital	None	-
1998.12	10	50,000	500,000	25,000	250,000	Capital increase by cash NT$ 240,000 thousand	None	Note 1
1999.10	15	50,000	500,000	50,000	500,000	Capital increase by cash NT$ 250,000 thousand	None	Note 2
2000.03	28	200,000	2,000,000	100,000	1,000,000	Capital increase by cash NT$ 500,000 thousand	None	Note 3
2002.05	10	200,000	2,000,000	116,135	1,161,350	Surplus capital increase NT$ 131,350 thousand Capital increase by capital surplus NT$30,000 thousand	None	Note 4
2003.06	10	200,000	2,000,000	129,015	1,290,155	Surplus capital increase NT$ 128,805 thousand	None	Note 5
2003.09	34	200,000	2,000,000	159,015	1,590,155	Capital increase by cash NT$ 300,000 thousand	None	Note 6
2004.06	10	300,000	3,000,000	194,633	1,946,326	Surplus capital increase NT$ 356,171 thousand	None	Note 7
2005.05	10	300,000	3,000,000	215,539	2,155,389	Surplus capital increase NT$ 209,063 thousand	None	Note 8
2007.07	10	300,000	3,000,000	236,937	2,369,373	Surplus capital increase NT$ 41,554 thousand Capital increase by capital surplus NT$172,430 thousand	None	Note 9
2008.07	10	300,000	3,000,000	266,530	2,665,301	Surplus capital increase NT$ 295,927 thousand	None	Note 10
2010.03	22	400,000	4,000,000	286,530	2,865,301	Private placement of common stock cash capital NT$200,000 thousand	None	Note 11
2010.10	23	400,000	4,000,000	310,130	3,101,301	Listed cash capital increases NT$ 236,000 thousand	None	Note 12
2011.07	10	400,000	4,000,000	320,675	3,206,745	Capital increase by capital surplus NT$105,444 thousand	None	Note 13
2022.07	-	480,000	4,800,000	320,675	3,206,745	Increase in total capital	None	Note 14

Note 1: Approved in the Jing (087) Shang No. 087139840 Letter of the Ministry of Economic Affairs on December 8, 1998.
Note 2: Approved No. Tai Cai Zheng Zi (1) 86673 of Securities and Futures Commission, Ministry of Finance dated October 8, 1999.
Note 3: Approved No. Tai Cai Zheng Zi (1) 27749 of Securities and Futures Commission, Ministry of Finance dated March 29, 2000.
Note 4: Approved No. Tai Cai Zheng Zi (1) 126201 of Securities and Futures Commission, Ministry of Finance dated May 15, 2002.
Note 5: Approved No. Tai Cai Zheng Zi (1) 0920124742 of Securities and Futures Commission, Ministry of Finance dated June 6, 2003.
Note 6: Approved No. Tai Cai Zheng Zi (1) 0920141689 of Securities and Futures Commission, Ministry of Finance dated September 9, 2003.
Note 7: Approved No. Tai Cai Zheng Zi (1) 0930124509 of Securities and Futures Commission, Ministry of Finance dated June 2, 2004.
Note 8: FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 0940119822 dated May 18, 2005.
Note 9: FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 0960038627 dated July 24, 2007.
Note 10: FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 0970033409 dated July 4, 2008.
Note 11: Approved in the Jing-Shou-Shang No. 09901039790 Letter of the Ministry of Economic Affairs on March 3, 2010.
Note 12: FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 0990057080 dated October 19, 2010.
Note 13: FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 1000032124 dated July 12, 2011.
Note 14: Approved in the Jing-Shou-Shang No. 11101119190 Letter of the Ministry of Economic Affairs on July 6, 2022.

2. **Type of Shares**

April 1, 2024; Unit: share

Type of Shares	Authorized Capital					Note
	Issued Shares			unreleased Shares	Total	
	OTC	Non-OTC	Total			
Common stock	320,674,514	-	320,674,514	159,325,486	480,000,000	Listed company stock

3. **Summary declaration system-related information: The company does not issue any securities.**

(II) Shareholder structure

April 1, 2024 Unit: shares; %

Shareholder structure	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural people	Foreign Institutions and Natural people	Total
Number of Shareholders	4	13	215	54,268	92	54,592
Shares Held	280,070	4,636,007	144,346,638	164,848,365	6,563,434	320,674,514
Percentage of Ownership	0.09%	1.44%	45.01%	51.41%	2.05%	100.00%

(III) Distribution of ownership

Par value per share: NT$ 10;April 1, 2024

Range of Shares	Number of Shareholders	Shareholding (shares)	Shareholding Ratio (%)
1 - 999	27,584	651,794	0.20%
1,000 - 5,000	21,539	43,996,387	13.72%
5,001 - 10,000	2,924	24,043,535	7.50%
10,001 - 15,000	760	9,866,331	3.08%
15,001 - 20,000	605	11,248,430	3.50%
20,001 - 30,000	466	12,063,780	3.76%
30,001 - 40,000	184	6,591,028	2.05%
40,001 - 50,000	144	6,783,403	2.12%
50,001 - 100,000	222	15,840,943	4.94%
100,001 - 200,000	98	13,725,140	4.28%
200,001 - 400,000	42	12,117,565	3.78%
400,001 - 600,000	10	4,771,754	1.49%
600,001 - 800,000	3	2,074,872	0.65%
800,001 - 1,000,000	1	926,255	0.29%
Over 1,000,001	10	155,973,297	48.64%
Total	54,592	320,674,514	100.00%

Note: The company does not issue preferred stock, and there is no distribution of preferred stock ownership.

(IV) List of major shareholders

April 1, 2024

Name of Major Shareholders	Shareholding (shares)	Shareholding Ratio (%)
BenQ Corporation	80,847,763	25.21%
Qisda Corporation	43,659,294	13.61%
Gordias Investment Limited	15,182,178	4.73%
Kun-Yao (K.Y.) Lee	4,580,396	1.43%
Taishin International Commercial Bank is entrusted with BenQ Materials' employee shareholding trust property account	3,644,488	1.14%
Dongmu Association	3,327,410	1.04%
Zhien-Chi (Z.C.) Chen	1,485,234	0.46%
Xi-Hua Li	1,149,208	0.36%
Chung-Yao Hung	1,069,570	0.33%
Citi (Taiwan) Commercial Bank is entrusted with UBS European SE investment account	1,027,756	0.32%

(V) Share prices for the past two fiscal years, the Company's net worth per share, earnings per share, dividends per share, and related information:

Item			2023	2022	As of April 1, 2024
Market Price Per Share (Note 1)	Highest		44.60	38.25	37.90
	Lowest		31.80	25.60	33.65
	Average		36.37	32.58	34.69
Net Worth per Share (Note 2)	Before distribution		18.08	18.86	Note 6
	After distribution		16.88	16.86	-
Earnings per Share	Weighted average share (thousand shares) (before retrospective)		320,674	320,674	320,674
	Earnings per Share	Before retrospective adjustment (NT$)	1.29	4.04	-
		After retrospective adjustment (NT$)	1.29	4.04	-
Dividends Per Share	Cash dividends		1.20	2.00	-
	Stock dividends	Stock dividends appropriated from retained earnings	-	-	-
		Stock dividends appropriated from capital reserve	-	-	-
	Accumulated unpaid dividends		-	-	-
Investment Return Analyses	Price/Earnings Ratio (Note 3) (times)		28.19	8.06	Note 6
	Price/Earnings Ratio (Note 4) (times)		30.31	16.29	-
	Cash dividend yield (Note 5) (%)		3.30	6.14	-

Note 1: List the highest and lowest market prices of common stocks in each year, and calculate the average market price for each year based on the transaction value and volume of each year.

Note 2: Based on the number of issued shares at the end of the year and according to the distribution situation of the resolution of the Board of Directors in the next year.

Note 3: P/E Ratio = Average Market Price per Share/Earnings per Share

Note 4: Price/Dividend Ratio = Average Market Price per Share/Cash Dividend per Share

Note 5: Cash dividend yield = Cash dividends per share/Average closing price per share for the year.

Note 6: As of the printing date of the annual report, there are no materials certified or reviewed by an accountant.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy:

The dividend policy stipulated in Article 19, and Article 20 of the Articles of Association is as follows:

Article 19: If the Company has earnings, it shall set aside 5-20% of the balance as remuneration to the employees and no greater than 1% of the balance as remuneration to directors. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration. The objects of the remuneration of employees in the preceding paragraph to be paid to stocks or cash may include employees of subordinate companies that meet certain conditions, and the conditions and distribution methods are authorized by the Board of Directors or its authorized people to decide.

Article 19-1: If the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as an earned surplus. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings, with accumulated undistributed surplus, should be appropriated for dividends in accordance with a proposal made and submitted by the Board of Directors and approved in the shareholders' meeting.

Article 20: The Company is in a technology- and capital-intensive industry, which is in the growth phase. In order to meet the long-term capital planning and the needs of shareholders for health cash flow, the Company adopts the residual dividend policy to facilitate the Company's growth and sustainable operation. If the Company has a net profit for the current year, it shall first use the profit to pay income taxes in accordance with Article 19-1 and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends not less than 10% of the above-mentioned calculated surplus. In order to expand operations and increase cash flow in the future, the proportion of cash dividends distributed each year shall not be less than 10% of the total amount of cash and stock dividends distributed in the year.

2. **Distribution of dividends proposed in the shareholders' meeting of this year:**

   On February 22, 2024, the resolution of the Board of Directors of the Company approved the distribution of shareholders' cash dividends of NT$384,809,417 (NT$1.2 per share), and will submit a report on the 2024 shareholders' regular meeting.

3. **Significant changes of dividend policy:**

   None.

(VII) The impact of the proposed free placement of shares this year on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee dividends and compensation of directors and supervisors

1. **The percentage or scope of employee dividends and remuneration of directors and supervisors as stated in the Company's articles of association:**

   As stipulated in the Company's Articles of Association:

   Article 19: If the Company has earnings, it shall set aside 5-20% of the balance as remuneration to the employees and no greater than 1% of the balance as remuneration to directors. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration. The objects of the remuneration of employees in the preceding paragraph to be paid to stocks or cash may include employees of subordinate companies that meet certain conditions, and the conditions and distribution methods are authorized by the Board of Directors or its authorized people to decide.

   Article 19-1: If the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as an earned surplus. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings, with accumulated undistributed surplus, should be appropriated for dividends in accordance with a proposal made and submitted by the Board of Directors and approved in the shareholders' meeting.

   Article 20: The Company is in a technology- and capital-intensive industry, which is in the growth phase. In order to meet the long-term capital planning and the needs of shareholders for health cash flow, the Company adopts the residual dividend policy to facilitate the Company's growth and sustainable operation. If the Company has a net profit for the current year, it shall first use the profit to pay income taxes in accordance with Article 19-1 and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends not less than 10% of the above-mentioned calculated surplus. In order to expand operations and increase cash flow in the future, the proportion of cash dividends distributed each year shall not be less than 10% of the total amount of cash and stock dividends distributed in the year.

2. **The current basis for estimating the amount of compensation for employees and directors, the basis for calculating the number of shares for employee compensation for stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated number:**

   The Company estimates and recognizes the employees' compensation based on the annual profits (meaning the pre-tax profit before deducting of employees' and directors' compensation) after the deduction of the accumulated losses and then calculated according to a specific percentage. In addition, the Directors' compensation is calculated based on the expected amount of payments and recognized as operating costs or operating expenses. Where the employee's compensation is issued by the shares, the number of shares distributed will be calculated based on the closing price of ordinary shares on the day before the Board of Directors' resolution. If there is any change after the date of issuance of the financial report in the following year, it will be treated as changes in accounting estimates and the effect of this change will be recognized as profit or loss for the following year.

3. **Proposed distribution of compensation by the Board of Directors:**

   Approved by Board of Directors of the Company on February 22, 2024

   (1) Distributions of employees' remuneration of NT$ 52,738,969 and Directors' compensations of NT$ 3,955,423 in cash. There is no difference with the estimated amount of the recognized expenses in the year.

   (2) The ratio of the amount of employee compensation distributed by stocks to the total of net profit after tax and total employee compensation for the current period: Not applicable.

4. **The actual distribution of employees 'and directors' remuneration in the previous year, the number of differences with those who recognize differences between employees 'and directors' remuneration, reasons and handling situations:**

   (1) The employee's remuneration distributed in cash was NT $ 165,977,670 and Directors' remuneration is NT $ 12,448,326 in the previous year.

   (2) The actual distribution is the same as the proposed distribution approved by the Board of Directors.

5. **Average employee salary adjustment**

   The Company regularly participates in international market salary surveys to adjust salary levels and provide competitive salaries in the market; adjusts salary based on the operations of the Company, price index, economic growth rate, and individual performance. The salary adjustment rate is 4% in 2023.

(IX) Share repurchases: None.

Insurance of Corporate Bonds

(I) Corporate bond issuance: None

(II) Special stock issuance: None

(III) Overseas depositary receipt issuance: None.

(IV) Employee stock option certificate issuance: None.

(V) Mergers or acquisitions or transfer of shares of other companies to issue new shares: None.

(VI) Restricted employees' rights to deal with new shares: None.

Implementation of the fund utilization plan

As of the quarter before the printing date of the annual report, the Company has not issued or privately placed securities that have not been completed or completed within the last three years and the planned benefits have not yet shown.

Operational Highlights

Business Content

(I) Business Scope

The Company focuses on the development of the "Material Science" professional field, and uses polymer, precision coating, injection and extrusion, optics, precision engraving, and roll-to-roll process as core technologies for R&D and manufacturing, and continues to develop applications and components for related industries, in order to provide the most competitive functional film products, Advanced Battery Materials, and medical products to drive the Company continuing to profit and grow.

(II) Industry Overview

1. Current status and development of the industry

Functional film:

The current development and application of the functional film industry includes TFT-LCD, OLED, and Micro-LED. Because of the growing capacity of new-generation products production and the increasing usage of foldable product devices, the average size of displays is getting larger quickly, and the demand of raw materials of functional film is also increasing significantly. Meanwhile, the supply and demand gradually balanced when some manufacturers withdrew from the market and the Company invested in new capacity.

In addition, because the development of applications is getting diverse, and the demand of high resolution, high weather resistance and next-generation display technology are increasing, the products should not only fulfill the existing functions but also combine cross-material product design to enhance the performance of displays in the areas of wide viewing angle, eye protection, color and safety.

Medical products:

With the increasing aging population, the demand for medical products, such as medical equipment, eyewear, and medical chemical products, medical services, and medical care is gradually increasing. There is a need to continually expand the scope of medical services and develop a diversified service system. In recent years, technology and healthcare have been integrated together across multiple sectors, and due to the Covid-19 pandemic, healthcare-related industries have grown significantly in the last two years. According to market research firm Global Industry Analysts, the global digital health care market is expected to reach US$456.9 billion by 2026.

2. Relationship Amongst Upstream, Midstream, and Downstream of the Industry

Upstream industry	Supplier of raw optical film substrates, chemical raw materials and medical-grade raw materials.
Midstream industry	Component manufacturers, with products including polarizer, backlight module, Driver IC, glass, etc; sterilization factories, packaging material factories, and medical product inspection and verification organizations.
Downstream industry	Liquid crystal display panel, liquid crystal display module, etc, medical brands, hospitals of all sizes, e-commerce stores, and end consumers, etc.

3. Industry development trends and competition

Functional film:

- With the development of metaverse, the rapid increase of VR/AR equipment, 5G, AIoT technology and the accelerated development of global digitalization, the penetration rate of consumer electronics products continues to increase, and new scenarios and new applications promote the diversified development of IT products. With the emergence of display demand, the market space for panels has also increased. Aligned with this trend, the demand for polarizers that offer high weather resistance, exceptional optical clarity and ultra-thin design is steadily increasing. This surge in demand also presents new growth opportunities.
- Industrial development is mainly developing towards the post-epidemic trend, vehicle display, medical related and innovative consumption models. In terms of display technology, major panel manufacturers focus on high-resolution, super-large size, high refresh rate, OLED, Mini- LED, Micro-LED... and other

multiple new technologies continue to deploy, actively carry out product innovation, and explore potential markets, which will help strengthen the competitiveness of enterprises in low demand periods.

- In 2023, the development of the global polarizer industry will be under pressure. On the one hand, new production capacity will continue to be released from the second half of 2021, and the supply and demand have been eased; on the other hand, due to active panel inventory management, the polarizer market is also subject to greater fluctuations in supply and demand.

Medical products:

The aging global population increases the demand for medical industry services. In addition, due to the impacts and challenges brought by the Covid-19 pandemic to various industries, countries are gradually moving towards the era of medical digitization. The integration of medical and technology is the trend of future. In order to protect patient health records, and eliminate information security risks, health care companies are urged to integrate technology and medical services. In addition, medical marketing has also become the key to the market competition. The high-quality medical services and consumer recognition are critical for market branding and management.

(III) Technology and R&D Overview

R&D expenses invested in each of the past five years

Unit: NT$ thousand

Item \ Year	2019	2020	2021	2022	2023
R&D Expense	686,303	639,769	759,320	886,717	939,026
Net Sales	13,942,969	15,049,948	16,481,686	15,541,465	17,127,523
Percentage of operating income (%)	4.92%	4.25%	4.61%	5.71%	5.48%

1. **Successfully developed technology or product**

   Functional films: wide-angle polarizer, high glare and low reflection polarizer, Intelligent dimming film, transparent projection film, high weather resistant optical film and optical adhesive.

   Battery materials: low internal resistance, high strength lithium-ion battery isolating film. Offering high security, high power original ceramic structure design for next-generation isolating film.

   Medical products：Biological hemostatic materials, hydrocolloid, hydrogel, medical-grade silicone gel and other advanced dressing materials, mobile negative pressure systems, scar removal silicone gel pens, silicone gel colored polishing contact lenses, negative pressure wound treatment systems, medical-grade packaging materials, and low-temperature film materials developed for medical packaging materials and medical paper.

2. **Future R&D technology focus**

   Functional Films：Improved the design of high-quality applications,low carbon emission materials and manufacturing development.

   Advanced Battery Materials: thin films for next-generation lithium-ion power batteries, functional coating materials.

   MedicalProducts：Advanced medical materials development, infection control materials, applied mechanism design in surgery, medical carrier materials development, medical-grade coating technology, and water-resistant eco-friendly coatings.

(IV) Long-term and short-term business development plans

1. **Short-term plans:**

   Functional film

   (1) Functional film: In terms of capacity expansion, in response to the market demand for high-value products, BenQ Materials will increase its high-quality capacity with appropriate investment.

   (2) In terms of products, the Company provides competitive value-added products based on the current complete product layout, complemented by the advantages of its own core technology.

Medical products:

(1) Collaborating with various domestic and international medical associations, seminars, and clinical cooperation projects to enhance brand and product strength.

(2) Continue to expand into more overseas regions, from both breadth and depth, to strengthen the international market share of our products.

(3) The Company should expand the diverse applications of barriers with medical access and customer information.

(4) The Company should actively develop upstream materials to be better engaged in the supply chain in the post-epidemic era.

2. **Long-term development plan:**

Functional film:

(1) The Company should develop and use recycled materials, and implement low carbon emission processes.

(2) The Company should also better differentiate itself in the material technology landscape.

Medical products:

(1) The Company should build a global image of being an integrated medical solution, deepen its root in the Asian market, and meanwhile develop brand awareness in Europe and America.

(2) The Company should consolidate its R&D resources and efforts on medical products in Taiwan and Asia to establish a complete medical-related product ecosystem.

Marketing and sales overview

(I) Market analysis

1. **Sales (provided) area of main products (services)**

Unit: NT$ thousand

Region \ Year		2022 Amount	2022 Ratio(%)	2023 Amount	2023 Ratio(%)
Domestic Sales		4,461,976	28.7%	4,869,329	28.4%
Foreign Sales	Asia	10,883,293	70.0%	11,211,682	65.6%
	Others	195,196	1.3%	1,046,512	6.0%
	Export sales subtotal	11,078,489	71.3%	12,258,194	71.6%
Total		15,540,465	100.00%	17,127,523	100.00%

2. **Market share**

According to data from the survey report of the Yano Institute of Economic Research, the top seven global polarizer manufacturers in 2023 are Shanjin Optoelectronics, Sumitomo Chemical, Hengmei Optoelectronic, Samsung SDI, Nitto Denko, Sapo Photoelectric, and BenQ Materials. BenQ Materials' global market share is about6.12%.

3. **The market's future supply and demand situation and growth, competitive niche and development of the favorable, unfavorable factors, and countermeasures**

Functional film:

(1) Market demand and supply: The continued increasing production capacity of the next-generation panels will drive the average size of displays and the overall market demand to increase. The polarizer production capacity increased only slightly compared to last year, which was mainly due to the slower-than-expected new production lines that was influenced by the Covid-19 pandemic. The overall outlook for 2024 is optimistic, but the Company needs to look closely at the low and high seasons of demand, maintain flexibility on its own, and take dynamic adjustments to the market.

(2) Positive factor: The demand for high-end products is growing rapidly. Expanding the revenue share of BenQ's high value-added products.

(3) Negative factor: risk of shortage of raw material supply.

(4) Response strategy: enhance the supplier relationship, and strengthen the strategic cooperation between suppliers, BenQ and customers.

Medical products:

(1) Market supply and demand: The market has high growth.

(2) Positive factor：The demand for medical products is not affected by the economic recession; the market entry barrier is high; the global supply chain is volatile, which is favorable to customers' industrial layout and material integration.

(3) Negative factor：The health insurance system has suppressed the market price, and it is difficult for high-end medical products to enter the market.

(4) Countermeasures: make strategic investments to increase items and improve product power while entering the market quickly; increase resources for marketing business and brand promotion, and combine the Group's advantages to produce comprehensive marketing effects

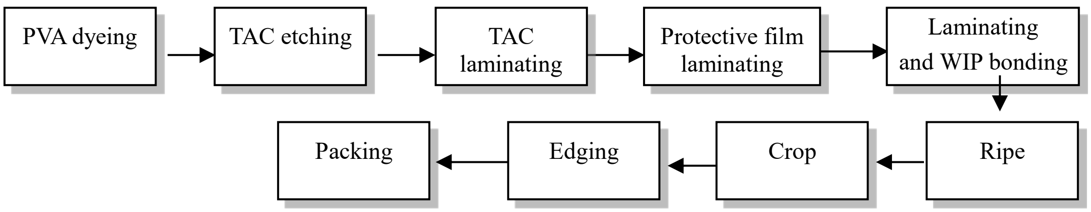
(II) Important uses and production process of main products

1. Important uses of main products

Main products	Important uses or functions
Display Materials	The key and necessary components of the polarizer. With the diversification and popularization of display device applications, it has been widely used in LCD TVs, desktop LCD monitors, tablet computers, notebook computers, mobile phones, wearable devices, and special industrial control and professional displays. Current key applications are as follows: 1. Liquid Crystal Display (LCD) The collocation of upper and lower polarizers controls the input and output of the optical polarization attitude. The polarization state of light changes when the alignment of the liquid crystal is changed under the drive of voltage, thus the display achieves the switching of light and dark. 2. Organic Light Emitting Display (OLED) A circular polarizer can effectively mitigate the mirror reflection problem of the internal metal electrode inside the OLED.

2. Production process of main products

Production process of functional film:



There are three production processes for polarizers:

(1) Front-end stretch dyeing process: The polarizing film raw materials are mainly subjected to precision stretching and dyeing processes, and the iodine molecules are arranged efficiently in the roll-to-roll production process, thereby providing optical effects of high transmittance and high polarization.

(2) Mid-section material bonding process: The polarizing film monomers that have been extended and dyed are attached to the protective layer and the adhesive layer, and the applicable optical film materials and optical adhesives are selected according to the application of the terminal product to provide the different characteristics required by the terminal display device, such as wide viewing angle, high weather resistance, high contrast, and anti-reflection effects.

(3) Back-end sheet material processing process: The finished product in coil state is processed and cut to the size required by the terminal application to meet the appearance of different types of displays, such as general type, long type, circular and drilling and other special applications.

(III) Supply status of main raw materials

The main raw materials required in the production of functional film include PVA films, TAC films, PET films, PMMA films, compensation films, protective films, release films, chemicals etc. Currently, the main suppliers are from Japan, and PVA films, PET films, compensation films belong to the oligopolistic market.

(IV) Major supplier information in the past two years

Unit: NT$ thousand; %

2022				2023				As of the end of the previous quarter of 2024 (Note 2)			
Name	Amount	Percentage of net purchases in the whole year (%)	Relationship with the Issuer	Name	Amount	Percentage of net purchases in the whole year (%)	Relationship with the Issuer	Name	Amount	Percentage of net purchases in the whole year (%)	Relationship with the Issuer
A	1,737,551	19	-	A	1,829,704	20	-	A	-	-	-
B	1,191,592	13	-	B	1,187,987	13	-	B	-	-	-
Others	6,361,615	68	-	Others	6,334,587	67	-	Others	-	-	-
Net purchase	9,290,758	100	-	Net purchase	9,352,278	100	-	Net purchase	-	-	-

Note 1: Reasons for changes: The Company's major suppliers have not changed significantly in the last two years.

Note 2: As of the date of printing the annual report, the most recent audited financial report for the previous quarter is the financial data for the year 2023, as reviewed by the accountant.

(V) Major sales customer information in the past two years

Unit: NT$ thousand; %

2022				2023				As of the end of the previous quarter of 2024 (Note 2)			
Name	Amount	Percentage of net sales in the whole year (%)	Relationship with the Issuer	Name	Amount	Percentage of net sales in the whole year (%)	Relationship with the Issuer	Name	Amount	Percentage of net sales in the whole year (%)	Relationship with the Issuer
A	5,070,036	33	Stakeholders	A	5,125,753	30	Stakeholders	A	-	-	-
Others	10,470,429	67	-	Others	12,001,770	70	-	Others	-	-	-
Net sales	15,540,465	100	-	Net sales	17,127,523	100	-	Net sales	-	-	-

Note 1: Reasons for changes: The Company's major customers have not changed significantly in the last two years.

Note 2: As of the date of printing the annual report, the most recent audited financial report for the previous quarter is the financial data for the year 2023, as reviewed by the accountant.

(VI) Production value table in the past two year

Unit: km; NT$ thousand

Year / Main Products	2022			2023		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Functional film	37,300	24,725	8,320,096	37,800	26,595	8,810,275
Others	-	-	466,719	-	-	581,614
Total	37,300	24,725	8,786,815	37,800	26,595	9,391,888

(VII) Sales value table in the past two year:

Unit: km^2; NT$ thousand; %

Year / Main Products	2022				2023			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Functional film	11,001	3,942,690	28,240	9,547,741	11,616	3,905,651	25,421	8,470,439
Others	-	519,287	-	1,530,747	-	963,678	-	3,787,755
Total	11,001	4,461,977	28,240	11,078,488	11,616	4,869,329	25,421	12,258,194

Employee information

(I) Employee information for the most recent two years and up to the date of publication of the annual report

Year		2022	2023	As of April 1, 2024
Number of Employees (Person)	Direct employees	1,016	948	944
	Indirect employees	699	735	730
	Total	1,715	1,683	1,674
Average age (age)		35.4	36.7	36.8
Average years of service (years)		6.2	7.2	7.2
Education distribution ratio (%) Ratio(%)	PhD	2	2	2
	Master's	23	26	26
	Bachelor's	44	40	38
	High school	29	32	33
	Below high school	1	1	1

Environmental protection expenditure information

Demonstrate the total amount of losses (including compensation) and punishment suffered by the Company for the pollution of the environment in the last two years and as of the date of publication of the annual report, and explain the future countermeasures (including improvement measures) and possible expenditures (including the estimated amount of losses if the countermeasures are not taken). If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.

(I) The total amount of losses (including compensation) and punishment suffered by the Company due to environmental pollution

- In December 2023, the Taoyuan plant was fined a combined penalty of NT$252,000 in accordance with Article 28, Paragraph 1, and Article 31, Paragraph 1, Subparagraph 2 of the Waste Disposal Act, as it was deemed jointly responsible by the competent authority due to failure of compliance with prescribed procedures by the supplier for handling waste. This penalty was imposed pursuant to Article 52 of the same Act.
- In December 2023, the Taoyuan plant was fined a combined penalty of NT$252,000 in accordance with Article 28, Paragraph 1, and Article 31, Paragraph 1, Subparagraph 2 of the Waste Disposal Act, as it was deemed jointly responsible by the competent authority due to failure of compliance with prescribed procedures by the supplier for handling waste. This penalty was imposed pursuant to Article 52 of the same Act.

(II) Future countermeasures (including improvement measures)

Improvement measures:

- Establish a mechanism for reviewing and assessing the risk of new/existing waste transportation contractors.
- Implement in-house processing to reduce the risk of outsourcing waste disposal.

The Company always complies with the government's environmental protection, safety, and health laws and regulations, and continuously invests resources every year to contribute to environmental protection. The current discharge values of air pollution and wastewater are far below the legal standards. In order to facilitate the public to understand the Company's efforts in corporate social responsibility operations, we also actively apply for awards and certifications.

Employment relations management

(I) List the Company's employee welfare measures, further education, training, retirement systems and their implementation, as well as the agreement between labor and management and the various employee rights protection measures

1. BenQ Materials Human Rights Policy

(1) Human Rights Policy: As part of its corporate social responsibility, BenQ Materials has implemented a human rights policy to protect the fundamental human rights of its employees and all stakeholders. The Company also emphasizes the importance of human rights within its supply chain and encourages its partners to uphold the same standards. BenQ Materials adheres to the principles set forth in the Universal Declaration of Human Rights (UDHR), the United Nations Guiding Principles on Business and Human Rights (UNGPs), and international human rights conventions such as the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. In addition, we adhere to the Responsible Business Alliance (RBA) Code of Conduct to uphold our commitment to human rights. We conduct regular human rights due diligence to identify and assess risks related to human rights issues. This allows us to effectively manage the impact and consequences of these risks and make adjustments as necessary.

(2) Human Rights Management Policy:

- There shall be no use of forced labor.
- Prohibition of child labor.
- Employees' right to privacy and freedom of association should be respected.
- Ensure a work environment that is healthy, safe and free of harassment.
- Support and help employees maintain their physical and mental well-being and achieve a healthy work-life balance.
- Provide fair and adequate living wages on time, and explain legal deductions on payslips.
- Ensure compliance with applicable labor and environmental laws at all locations to ensure adequate working conditions for employees.
- Ensure that every employee has equal employment rights without any form of discrimination based on race, nationality, age, gender, marital status, or any other factor.
- Ensure effective communication between labor and management, and promptly investigate and take appropriate action to address human rights violations and implement necessary remedial and improvement measures.
- Ensure that multiple complaint channels, including anonymous reporting, are available to allow employees and other stakeholders to provide feedback on suspected violations.

(3) Measures of human rights management:

- implementing workplace protection that is tailored for employees with various working ages, working hours, wages and benefits, humane treatment, advocating non-discrimination conducts, respecting freedoms of assembly and association, establishing management mechanisms, and promoting the execution of the mechanisms to ensure that employees' human rights are properly taken care of.
- The Company will promote a healthy and positive labor-management relationship by holding regular labor meetings, setting up multiple communication or complaints channels on matters that violate labor rights and interests, handling complaints or incidents confidentiality, creating a corporate environment that respects, cares for and protects human rights, and protect the rights of collective bargaining of labor organizations.
- There has been no use of child labor, forced labor, etc.
- In order to protect the rights and interests of employees and BenQ intellectual property, the employment contract should be signed with employees on the first day of employment. The employment contract has also clearly outlined the minimum notice period for the termination in accordance with the laws and regulations of where the Company operates.
- The Company offers regular training courses on unlawful infringement, executes unsafe equipment improvement projects, and advocates safety conducts.

- BenQ has committed itself to protecting employees' rights and interests and safeguarding human rights, and BenQ has established a number of regulations and measures in parallel with the implementation of various management systems.

(4) Human Rights Due Diligence Process: In accordance with the RBA standards and workplace health and environmental conditions, a human rights risk assessment was conducted in 2023. Sixteen human rights issues were identified, encompassing areas such as working hours, personal freedom and safety, wages and benefits, maternity protection, non-discrimination and diversity inclusion, and user privacy protection. An employee survey was conducted to evaluate due diligence, revealing no significant internal human rights issues.

(5) Training of human rights protection

- The framework of internal communication: to provide pre-employment training for new recruits to comply with relevant laws and regulations, including the prohibition of forced labor and child labor, anti-discrimination, anti-harassment, working hours management, and safeguarding humane treatment.
- Offering online courses that target unlawful infringement: to understand the concept of unlawful infringement, the prevention of abuse, and approaches of the Company handling workplace abuse.
- Providing a complete series of occupational safety training: to provide different safety trainings targeting issues that different types of employees may encounter in the workplace, such as fire training, emergency response training, first responder training, general safety and health education training, plant safety training, newly promoted supervisor safety training, etc.

(6) Results of Human Rights Management Policy

- The rate of regular employees completing the training program relating to unlawful infringement achieved 100% in 2023.
- There are no cases relating to child labor, employment discrimination, workplace discrimination, unlawful assault, sexual harassment, etc. in 2023.
- The settlement rate of employee complaints through the grievance procedure pipeline reached 100% in 2023.
- The FSI of 2023 was 0.04, which failed the target of zero disabling injuries;
- In 2023, the employee human rights due diligence investigation revealed no significant risk issues.

2. Employee welfare measures and their implementation:

Respecting human nature and caring for employees is one of the Company's important business concepts. To this end, we are committed to creating a friendly workplace, properly taking care of the physical and mental health of colleagues or their families, and establishing various guarantees of their lives, so that they can be unconcerned. The Company is striving forward without worries. In addition to being recognized by the Company's colleagues, these measures have also been repeatedly recognized by the competent authorities. In 2023, it won the honor of "1111 Human Resource Bank Happy Enterprise", and "Sports Enterprise Certification" issued by the Sports Administration of the Ministry of Education, along with the extension of the wellness workplace certification. In actual operation, the Company's various welfare plans are made by the Welfare Committee composed of Company employees, which is responsible for the planning and implementation of employee welfare matters. The current welfare measures are as follows:

(1) Provided by the Company : The Company provides universal health insurance, labor insurance, provision for retirement pensions, provision for accrued salary advance fund, provision for occupational disaster insurance, and medical room services.

(2) The Company specially provides: New Year's Day and performance bonuses (related to responsibilities and performance results), group insurance and health examinations, employee dividends, wedding and funeral celebrations, injury and illness sympathy subsidies, dormitory, meal and food subsidies, and

employee education and training. Employees returning from parental leave receive bonus supplements, enjoy paternity leave days beyond what is required, and participate in flexible work schedules.

(3) Welfare planning: New Year gifts, various tourism and networking activities, sports competitions, scholarships, club activities, and movie appreciation.

3. Education andtrainingand its implementation:

(1) Originated from the Company's basic management philosophy and high-quality corporate culture, it follows the following system in training:

System Name	Description	Course/ System Example
Core Development	The integrated system structure is based on the training and development activities designed in order to "achieve the Company's corporate vision, and the core competencies that each employee needs to develop."	Common courses such as Company introduction, Company system, corporate culture, self-management, team partners, and quality concepts.
Professional Development	The integrated system structure is based on the training and development activities designed in order to effectively complete the professional abilities required for each category and position.	Human resources development training system, quality assurance training system, research and development training system and engineering technology training system.
Management Development	An integrated system structure based on the training and development activities designed for "management capabilities necessary to effectively integrate team strength to achieve team goals."	Divided into the high-level management system, middle-level management system and grass-roots management system.

(2) On-the-job postgraduate training:

In order to implement the Company's talent cultivation plan and enhance human quality, strengthen its management and professional capabilities, according to the training development list of the training system, reward relevant management or professionals for on-the-job higher education and overseas training and training, for the performance of work ability and the practice of organizational values, apply for training and repair assistance. The training hours and costs in the past two years are as follows:

Item	2022			2023		
	Total number of people-times (person)	Total hours (hours)	Total cost (NT$: thousand)	Total number of people-times (person)	Total hours (hours)	Total cost (NT$: thousand)
New recruit training	715	3,127	45	1,370	2,153	36
Professional job training	1,938	7,903	1,476	11,312	20,319	1,473
Supervisor training	1,251	7,268	1,903	1,057	3,203	2,531
General training	2,146	3470	892	23,517	18,581	1,132
Total	6,050	21,768	4,316	37,256	44,256	5,172

4. Retirement system and its implementation:

(1) The Company has employee retirement methods in accordance with the Labor Standards Law.

(2) Since 1999, the "Retirement Supervision Committee" has been organized by employers and employees to manage and supervise matters related to retirement reserves. From August 1999 onwards, pensions will be set aside from 2% to 15 % Is allocated on a monthly basis.

(3) After the implementation of the new labor retirement system in July 2005, the Company will follow the relevant regulations.

(4) For employees who are subject to the pension regulations of the Labor Pension Act, the Company shall make monthly contributions at a rate no less than 6% of the employees' salaries in accordance with the Labor Pension Act. The salaries shall be as prescribed in the Table of Monthly Contribution Wage Classification approved by the Executive Yuan. The contributions are then deposited in the employee pension account at the Labor Insurance Bureau.

(5) For the employees of Taiwan's operating bases, BenQ Materials, in accordance with the Labor Standards Act and the Labor Pension Regulations, regularly allocates reserve funds to statutory pension accounts based on the actuary's pension actuarial report under the old system, while the new system transfers funds monthly As for individual pension accounts, each operating base in China is handled in accordance with

the local labor laws of China, and pension insurance is purchased for employees so that employees can enjoy peace of mind after retirement.

5. **Negotiations between employer and employees:**

The Company values employees' opinions. In addition to holding regular company business briefings and monthly supervisor meetings for all employees, we adopt open management methods of supervisors, encourage colleagues to communicate with relevant personnel openly and transparently at any time, we require supervisors and relevant departments to provide prompt responses. The employee complaint handling closure rate for the fiscal year 2023 was 100%, achieving the goal of implementing two-way communication.

6. **Protection measures for working environment and employees' personal safety:**

The Company has long been committed to environmental protection, energy conservation and employee care. It is expected that as the Company grows, the Company will also fulfill its social responsibilities and continue its business. In addition to complying with relevant domestic regulations, all factories have passed the internationally recognized ISO 14001 environmental management system and ISO 45001 occupational health and safety management system certification. The specific measures are as follows:

(1) Focus on source management:

In order to control the relevant hazards from the source, the Company introduces the Management of Change (MOC). Any new construction and improvement projects are included in the control, such as the introduction of new chemicals, changes in fire protection divisions, changes in safety protection facilities, adding or relocating machines, adding and modifying pipelines, changes in major conditions and parameters, changes in power facilities, changes in tools and fixtures, other fire and explosion risks, and changes in organizational personnel, etc., to control risks and reduce environmental impact.

(2) Promote safety culture:

The Company continues to promote safety culture activities and upgrades the "mutual assistance phase" of "self-safety and self-responsibility" from the "dependence phase" of "employees' safety is the responsibility of supervisors." It hopes that every colleague play his or her safety role in a different position, integrate safety awareness into work and life, and achieve the team's vision of zero disaster.

(3) Strengthen communication and training on hazard prevention

In order to effectively enhance the awareness of all employees on safety and health, the Company plans courses for employees, including environmental protection, safety and health, emergency response, management systems, risk management, social responsibility and green products, so that employees can recognize hazards and implement safety standards and procedures to truly protect themselves and others. A monthly environmental safety conference is held to enhance the safety awareness of colleagues, and a departmental environmental safety officer mechanism is established to regularly collect employees' work safety requirements and deliver safety and health management measures and messages to achieve healthy two-way communication.

(4) Promote employee health

AUO has arranged professional nursing staff to plan an all-inclusive health program. In addition to health checks, medical consultations and various health promotion activities were held regularly. An e-health management platform was also built for employees to access relevant and personal health information at all times. On top of it, services of psychological and legal consultations with professionals were provided to employees in need. In response to the infectious diseases in recent years, such as new influenza, enterovirus, etc., which may cause impact on enterprises and employees, in addition to continuous monitoring of relevant information, the Company has established a complete response organization and procedures for epidemic prevention or disaster reduction operations, to protect the health of employees and avoid operational shocks.

(II) Explain the losses incurred by the Company due to labor disputes in the most recent two years and up to the date of publication of the annual report, and disclose the current and future estimated amounts and corresponding measures

The Company has maintained harmonious labor relations in the most recent two years and up to the date of publication of its annual report, and has not suffered losses due to labor disputes.

Important contract

The important contract signed by the Company as of the date of printing of the annual report

April 1, 2024

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Financing	Lending Syndicate	2022.06~2027.06	Enrich interim operating capital	None

Financial Information

I. Financial Highlights

(I) Condensed balance sheet

1. International Financial Reporting Standards - Consolidated Financial Statements

Unit: NT$ thousand

Item / Year		Most Recent 5-Year Financial Information (Note 1)					As of April 1, 2024, Financial data
		2023	2022	2021	2020	2019	
Current assets		8,409,901	6,856,955	6,714,324	5,552,093	4,572,402	(Note 2)
Property, plant and equipment		10,107,104	5,064,453	4,493,229	4,349,216	4,357,273	
Intangible assets, net		200,380	141,383	165,773	34,254	44,578	
Other Assets		1,840,393	1,641,777	1,136,602	1,123,888	1,353,668	
Total Assets		20,557,778	13,704,568	12,509,928	11,059,451	10,327,921	
Current liabilities	Before distribution	6,513,991	5,628,746	5,794,518	4,970,859	3,977,707	
	After distribution	Before distribution	6,270,095	6,275,530	5,195,331	4,138,044	
Non-current liabilities		5,287,734	1,825,177	1,558,807	1,765,817	2,219,246	
Total Liabilities	Before distribution	11,801,725	7,453,923	7,353,325	6,736,676	6,196,953	
	After distribution	Before distribution	8,095,272	7,834,337	6,961,148	6,357,290	
The right attributable to the owner of the parent company		5,796,230	6,048,500	5,403,330	4,322,775	4,130,968	
Share capital		3,206,745	3,206,745	3,206,745	3,206,745	3,206,745	
Capital surplus		192,352	192,352	5,808	11,427	5,618	
Retained earnings	Before distribution	2,489,817	2,718,238	1,934,086	1,188,137	952,501	
	After distribution	Before distribution	2,076,889	1,453,074	963,665	792,164	
Other rights		(92,684)	(68,835)	(103,309)	(83,534)	(33,896)	
Treasury Stock		-	-	-	-	-	
Non-controlling rights		2,959,823	202,145	113,273	-	-	
Total Equity	Before distribution	8,756,053	6,250,645	5,156,603	4,322,775	4,130,968	
	After distribution	Before distribution	5,609,296	4,675,591	4,098,303	3,970,631	

Note 1: All the financial information listed above has been checked and verified by accountants.

Note 2: As of the printing date of the annual report, the financial data for the first quarter of 2024 has not yet been reviewed by the accountant.

2. International Financial Reporting Standards-Individual Financial Statements

Unit: NT$ thousand

Item		Most Recent 5-Year Financial Information (Note 1) 2023	2022	2021	2020	2019	As of April 1, 2024, Financial data
Current assets		6,413,800	5,868,060	6,098,420	5,135,563	4,153,215	(Note 2)
Property, plant and equipment		4,726,510	4,010,841	3,610,070	3,229,360	3,195,212	
Intangible assets, net		22,428	22,309	30,634	21,090	22,125	
Other Assets		6,087,808	4,028,300	2,461,033	2,481,066	2,702,663	
Total Assets		17,250,546	13,929,510	12,200,157	10,867,079	10,073,215	
Current liabilities	Before distribution	6,418,346	6,086,447	5,649,461	4,803,917	3,783,109	
	After distribution	尚未分配	6,727,796	6,130,473	5,028,389	3,943,446	
Non-current liabilities		5,035,970	1,794,563	1,507,366	1,740,387	2,159,138	
Total Liabilities	Before distribution	11,454,316	7,881,010	7,156,827	6,544,304	5,942,247	
	After distribution	尚未分配	8,522,359	7,637,839	6,768,776	6,102,584	
The right attributable to the owner of the parent Company		5,796,230	6,048,500	5,043,330	4,322,775	4,130,968	
Share capital		3,206,745	3,206,745	3,206,745	3,206,745	3,206,745	
Capital surplus		192,352	192,352	5,808	11,427	5,618	
Retained earnings	Before distribution	2,489,817	2,718,238	1,934,086	1,188,137	952,501	
	After distribution	尚未分配	2,076,889	1,453,074	963,665	792,164	
Other rights		(92,684)	(68,835)	(103,309)	(83,534)	(33,896)	
Treasury Stock		-	-	-	-	-	
Non-controlling rights		-	-	-	-	-	
Total Equity	Before distribution	5,796,230	6,048,500	5,043,330	4,322,775	4,130,968	
	After distribution	尚未分配	5,407,151	4,562,318	4,098,303	3,970,631	

Note 1: All the financial information listed above has been checked and verified by accountants.

Note 2: As of the printing date of the annual report, it is not legally required to compile individual financial data for the first quarter of 2024.

(II) Condensed income statement

1. International Financial Reporting Standards - Consolidated Financial Statements

Unit: NT$ thousand

Year / Item	Most Recent 5-Year Financial Information (Note 1)					As of April 1, 2024, Financial data
	2023	2022	2021	2020	2019	
Sales Revenue	17,127,523	15,540,465	16,481,686	15,049,948	13,942,969	(Note 2)
Gross Profit	3,182,545	3,078,371	3,056,537	2,273,534	2,142,028	
Operating Income	591,705	696,807	977,318	547,373	353,857	
Non-operating income and (expense)	39,004	1,058,370	230,654	(37,594)	(19,364)	
Net profit (loss) before tax	630,709	1,755,177	1,207,972	509,779	334,493	
Business unit Net (loss) in the current period	630,709	1,755,177	1,207,972	509,779	334,493	
Loss from Discontinued Operations	-	-	-	-	-	
Net (loss) in the current period	503,791	1,284,741	969,527	395,973	256,740	
Other comprehensive (loss) in the current period (after tax)	(26,098)	34,474	(20,909)	(49,638)	(39,087)	
Comprehensive (loss)	477,693	1,319,215	948,618	346,335	217,653	
Net belongs to the owner of the parent company	414,352	1,295,670	971,555	395,973	257,124	
Net belongs to non-controlling right	89,439	(10,929)	(2,028)	-	(384)	
The total profit and loss is attributed to the owner of the parent Company	390,503	1,330,144	950,646	346,335	217,948	
Comprehensive profit and loss total attribution from non-controlling right	87,190	(10,929)	(2,028)	-	(295)	
Earning per share (loss)	1.29	4.04	3.03	1.23	0.80	

Note 1: All the financial information listed above has been checked and verified by accountants.

Note 2: As of the printing date of the annual report, the financial data for the first quarter of 2024 has not yet been reviewed by the accountant.

2. International Financial Reporting Standards-Individual Financial Statements

Unit: NT$ thousand

Year / Item	Most Recent 5-Year Financial Information (Note 1)					As of April 1, 2024, Financial data
	2023	2022	2021	2020	2019	
Sales Revenue	14,003,908	14,780,630	15,898,350	14,207,202	13,058,534	(Note 2)
Gross Profit	2,140,363	2,313,886	2,341,237	1,843,603	1,826,809	
Operating Income	418,451	541,782	815,259	573,884	514,714	
Non-operating income and (expense)	52,244	939,569	383,158	(81,945)	(193,104)	
Net profit (loss) before tax	470,695	1,481,351	1,198,417	491,939	321,610	
Business unit Net profit in the current period	414,352	1,295,670	971,555	395,973	257,124	
Loss from Discontinued Operations	-	-	-	-	-	
Net (loss) in the current period	414,352	1,295,670	971,555	395,973	257,124	
Other comprehensive (loss) in the current period (after tax)	(23,849)	34,474	(20,909)	(49,638)	(39,176)	
Comprehensive (loss)	390,503	1,330,144	950,646	346,335	217,948	
Net belongs to the owner of the parent Company	-	-	-	-	-	
Net belongs to non-controlling right	-	-	-	-	-	
The total profit and loss is attributed to the owner of the parent company	-	-	-	-	-	
Comprehensive profit and loss total attribution from non-controlling right	-	-	-	-	-	
Earning per share (loss)	1.29	4.04	3.03	1.23	0.80	

Note 1: All the financial information listed above has been checked and verified by accountants.

Note 2: As of the printing date of the annual report, it is not legally required to compile individual financial data for the first quarter of 2024.

(III) Names and auditing opinions of CPAs

Year	2023	2022	2021	2020	2019
CPA	Tzu-Chieh Tang Ching-Wen Kao	Tzu-Chieh Tang Wei-Ming Shih	Tzu-Chieh Tang Wei-Ming Shih	Tzu-Chieh Tang Wei-Ming Shih	Tzu-Chieh Tang Wei-Ming Shih
Opinion	No reserve	No reserve	No reserve	No reserve	No reserve

II. Financial Analyses for the Past Five Fiscal Years

1. International Financial Reporting Standards-Consolidated Financial Statements

Analysis Item (Year)		Financial Analyses for the Past Five Fiscal Years (Note 1)					As of April 1, 2024, Financial data
		2023	2022	2021	2020	2019	
Financial structure (%)	Debt ratio	57.41	54.39	58.78	60.91	60.00	Note 2
	Ratio of long-term capital to property, plant, and equipment	138.95	159.46	149.46	139.99	145.74	
Solvency (%)	Current ratio	129.11	121.82	115.87	111.69	114.95	
	Quick ratio	73.05	70.34	63.35	57.34	59.61	
	Interest coverage ratio	6.16	35.03	29.71	9.30	5.08	
Operating ability	Accounts receivable turnover rate (times)	5.58	5.29	6.32	7.20	6.76	
	Average days for cash receipts (days)	65.44	68.95	57.75	50.69	53.99	
	Inventory turnover rate (times)	4.56	4.51	5.15	5.85	6.06	
	Accounts payable turnover rate (times)	5.17	4.32	4.04	4.23	4.29	
	Average days for sale of goods	79.99	80.95	70.87	62.39	60.23	
	Property, plant, and equipment turnover rate (times)	1.69	3.07	3.67	3.46	3.20	
	Total assets turnover rate (times)	0.83	1.13	1.32	1.36	1.35	
Profitability	Return on total assets (%)	3.51	10.12	8.51	4.16	3.12	
	Return on shareholders' equity (%)	6.71	22.52	20.46	9.37	6.18	
	Ratio of income before tax to paid-in capital (%)	19.67	54.73	37.67	15.90	10.43	
	Net profit margin (%)	2.94	8.27	5.88	2.63	1.84	
	Earnings (loss) per share	1.29	4.04	3.03	1.23	0.80	
Cash flows	Cash flow ratio (%)	16.80	6.92	17.48	22.20	28.45	
	Cash flow adequacy ratio (%)	62.73	99.89	95.99	93.72	109.99	
	Cash reinvestment ratio (%)	3.22	(1.14)	11.74	15.49	14.79	
Leverage	Operating leverage	7.40	6.09	4.15	6.01	8.75	
	Financial leverage	1.26	1.08	1.04	1.13	1.30	

The reasons for the changes in various financial ratios in the last two years of 20% are explained as follows:
Interest coverage ratio: Mainly due to increased borrowing and payment of interest.
Accounts payable turnover rate (times): Mainly due to the lower balance of accounts payable from the previous period.
The increase in the property, plant, and equipment turnover rate (times), total asset turnover rate (times), and return on total assets (%) is primarily attributed to the acquisition of WEB-PRO Corp. assets.
Return on shareholders' equity (%): The primary reason for the rise in non-controlling interests is the acquisition of WEB-PRO Corp.
The ratio of pre-tax net profit to paid-in capital, net profit ratio, earnings (loss) per share, and operating leverage: mainly due to the increase in profits.
Cash flow ratio, cash reinvestment ratio: mainly due to the disposal of assets to be sold.

Note 1: All the financial information listed above has been checked and verified by accountants.
Note 2: As of the printing date of the annual report, the financial data for the first quarter of 2024 has not yet been reviewed by the accountant.

2. International Financial Reporting Standards-Individual Financial Statements

Analysis Item	Year	Financial Analyses for the Past Five Fiscal Years (Note 1)					As of April 1, 2024, Financial data
		2023	2022	2021	2020	2019	
Financial structure (%)	Debt ratio	66.40	58.66	60.22	58.99	58.60	Note 2
	Ratio of long-term capital to property, plant, and equipment	229.18	181.46	187.75	196.86	201.98	
Solvency (%)	Current ratio	99.93	107.95	106.90	109.78	112.26	
	Quick ratio	53.56	61.84	58.57	62.43	65.32	
	Interest coverage ratio	4.89	30.03	9.26	5.07	6.31	
Operating ability	Accounts receivable turnover rate (times)	4.90	5.81	6.68	6.44	4.92	
	Average days for cash receipts (days)	74.48	62.84	54.62	56.66	74.25	
	Inventory turnover rate (times)	4.63	5.77	6.30	6.52	6.43	
	Accounts payable turnover rate (times)	3.61	3.83	4.00	4.03	4.03	
	Average days for sale of goods	78.77	63.30	57.98	56.00	56.77	
	Property, plant, and equipment turnover rate (times)	2.96	4.40	4.40	4.09	4.03	
	Total assets turnover rate (times)	0.81	1.30	1.31	1.30	1.23	
Profitability	Return on total assets (%)	2.04	8.14	3.33	1.94	2.72	
	Return on shareholders' equity (%)	7.00	20.75	9.37	6.23	7.96	
	Ratio of income before tax to paid-in capital (%)	14.68	37.37	15.34	10.03	11.34	
	Net profit margin (%)	2.96	6.11	2.79	1.97	2.68	
	Earnings (loss) per share	1.29	3.03	1.23	0.80	1.02	
Cash flows	Cash flow ratio (%)	(2.35)	11.45	18.08	29.36	49.79	
	Cash flow adequacy ratio (%)	58.43	87.61	91.84	111.27	107.40	
	Cash reinvestment ratio (%)	(7.31)	6.45	11.68	14.60	26.36	
Leverage	Operating leverage	6.82	4.01	4.54	4.97	4.56	
	Financial leverage	1.41	1.05	1.12	1.18	1.14	

The reasons for the changes in various financial ratios in the last two years of 20% are explained as follows:
Interest coverage ratio and financial leverage : Mainly due to increased borrowing and payment of interest.
The increase in the property, plant, and equipment turnover rate (times), total asset turnover rate (times), and Cash flow adequacy ratio: Primarily due to the increase in equipment.
The asset return rate (%), shareholder equity return rate (%), pre-tax net income to paid-in capital ratio, net profit rate, earnings (loss) per share, cash flow ratio, and cash reinvestment ratio have primarily decreased due to lower profits in the current period.

Note 1: All the financial information listed above have been checked and verified by accountants.

Note 2: As of the printing date of the annual report, it is not required to compile individual financial data for the first quarter of 2024.

The calculation formula of the analysis item is as follows:

1. Financial structure
   (1) Debt ratio = Total liabilities/Total assets.
   (2) The ratio of long-term funds to real estate, plant and equipment = (net shareholders' equity + long-term liabilities) / net real estate, plant and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
   (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable due to business) in each period.
   (2) Average days for cash receipts = 365 / receivables turnover ratio
   (3) Inventory turnover rate = Cost of goods sold/Average inventories.
   (4) Turnover rate of payables (including accounts payable and bills payable) = cost of goods sold / balance of average payables (including accounts payable and bills payable due to business) in each period.
   (5) Average days for sale of goods = 365/Inventory turnover rate.
   (6) Property, plant and equipment turnover ratio = net sales / net of real estate, plant and equipment.
   (7) Total asset turnover ratio = net sales / total assets.
4. Profitability
   (1) Return on assets = (after-tax profit and loss + interest expense × (1-tax rate)) / average total assets.
   (2) Return on shareholders 'equity = profit or loss after tax / average net shareholders' equity.
   (3) Net profit margin = Income after tax/Net sales.
   (4) Earnings per share = (net profit after tax-dividends on special shares) / weighted average number of issued shares.
5. Cash flows
   (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
   (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other assets + working capital).
6. Leverage
   (1) Operating leverage = (net operating income-variable operating costs and expenses) / operating profit.
   (2) Financial leverage = operating profit / (operating profit - interest expense).

III. Audit Committee Check Report

The Board of Directors has prepared the Company's Financial Statement for 2023. Tzu-Chieh Tang and Wei-Ming Shih, Certified Public Accountants of KPMG, who are entrusted by the Board of Directors, jointly issued an audit report. The Financial Statements, Business Report, the proposed Independent Auditors' Report and the dividend distribution proposal have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Report for inspection

Sincerely,
BenQ Materials Corporation 2024 Annual Meeting of Shareholders

Convener of the Audit Committee:

February 22, 2024 葉福海

IV. Consolidated Financial Statements and Independent Auditors' Report of the most recent year: please refer to Appendix 1 (pages 90)

V. Individual Financial Statements and Independent Auditors' Report for the most recent year: Please refer to Appendix 2 (Pages 169)

VI. If the Company or its Affiliates Experienced Financial Difficulties in the Most Recent Year, up to the Date of the Annual Report Publication: None.

Review and Analysis of Financial Conditions, Operating Results, and Risk Management

Review and analysis of financial conditions

Comparison and Analysis of Financial Conditions: The main causes and impacts of major changes in assets, liabilities and shareholders 'equity in the last two years

Unit: NT$ thousand; %

Item \ Year	2023	2022	Difference	
			AMOUNT	%
Current assets	8,409,901	6,856,955	1,552,946	23
Long-term investment	465,829	480,749	(14,920)	(3)
Property, plant and equipment	10,107,104	5,064,453	5,042,651	100
Intangible assets, net	200,380	141,383	58,997	42
Other Assets	1,374,564	1,161,028	213,536	18
Total Assets	20,557,778	13,704,568	6,853,210	50
Current liabilities	6,513,991	5,628,746	885,245	16
Non-current liabilities	5,287,734	1,825,177	3,462,557	190
Total Liabilities	11,801,725	7,453,923	4,347,802	58
Share capital	3,206,745	3,206,745	0	0
Capital surplus	192,352	192,352	0	0
Cumulative profit (loss)	2,489,817	2,718,238	(228,421)	(8)
Other equity interest	(92,684)	(68,835)	(23,849)	35
Non-controlling interest	2,959,823	202,145	2,757,678	1,364
Total shareholder equity	8,756,053	6,250,645	2,505,408	40

Explanation of material changes in financial ratios:

1. Current assets, property, plants and equipment, intangible assets, non-current liabilities, and non-controlling interests: Mainly due to the increase in the acquisition of 51% equity of WEB-PRO Corp. during the current period.
2. Other rights: Mainly due to changes in exchange rates.

Evaluation and analysis of operation results

Comparative analysis of financial performance: the main reasons for the significant changes in operating income, operating net profit and pre-tax net profit in the current two years, the expected sales volume and its basis, the possible impact on the Company's future financial business and the corresponding plans.

Unit: NT$ thousand; %

Item \ Year	2023	2022	Change, by Percentage	
			Change, by Amount	%
Net Sales	17,127,523	15,540,465	1,587,058	10
Operating costs	13,944,978	12,462,094	1,482,884	12
Gross Profit	3,182,545	3,078,371	104,174	3
Operating Expenses	2,590,840	2,381,564	209,276	9
Operating net profit (loss)	591,705	696,807	(105,102)	(15)
Non-operating income and (expense)	39,004	1,058,370	(1,019,366)	(96)
Net profit (loss) before tax	630,709	1,755,177	(1,124,468)	(64)
Income tax benefit (fee)	(126,918)	(470,436)	343,518	(73)
Net (loss) in the current period	503,791	1,284,741	(780,950)	(61)

Explanation of material changes in financial ratios:

1. Non-operating income and expenses, Net profit (loss) before tax, and current period net profit (loss) were primarily influenced by the benefits derived from the disposal of assets held for sale in the previous period.
2. Income tax benefits (expenses): Mainly due to the decrease in the provision of income tax.

Review and analysis of cash flow

Changes in consolidated cash flow in 2023:

Unit: NT$ thousand

Year	Cash at Beginning of Year	Net Cash Flows from Operating Activities throughout the year	Net Cash Flows from Investment Activities throughout the year	Net Cash Flows from Financing Activities throughout the year	Cash surplus(Including exchange rate influence)
2022	278,127	389,264	82,477	(102,983)	653,134
2023	653,134	1,094,187	(4,022,991)	2,887,565	619,690
Change rate(%)	134.83%	181.09%	-4977.71%	-2903.92%	-5.12%

(I) Notes to increase/decrease:

Operating Activities: Mainly due to the increase in accounts payable inflow.

Investment Activities: Mainly due to cash outflows from acquiring subsidiary companies and acquiring property, plants, and equipment.

Financing activities：Mainly due to the difference between the borrowing and the payment of bank loan and cash dividends in two periods.

(II) Analysis of cash liquidity in the coming year: The Company, on the premise of maintaining stable cash liquidity, will carefully plan and manage cash expenditures related to investments and operations while taking, cash balances on accounts, cash flows from operating activities and investing activities, and the status of financial markets into consideration.

(III) Improvement measures for expected cash shortage: no cash shortage.

Annual reinvestment policy, the main reason for its profit or loss, the improvement plan and the investment plan for the coming year

The reinvestment policy of the company focuses on related core business and develops in the field of materials science, making good use of core technologies (polymer, precision coating, ejection and extrusion, optics, precision engraving, and process of roll-to-roll), which will adopt lean production policies, strictly control expenditures, and actively develop potential customers with horizontal integration of industries chain. At the same time, the technical team will continue to derive other applications to create higher added value to enhance the reinvestment business. The Company's net income from equity investments under the equity method that were recognized in the 2023 Consolidated Financial Statements was NT$47,693 thousand. In the future, the Company will continue to invest in core business-related strategies, and focus on brand management and new business development.

Risk Management

BenQ Material Risk Management focuses on the risk management system and risk transfer planning of corporate governance, clearly sets out BenQ Material Risk Management vision and policy, effectively manages risks that exceed the Company's risk tolerance, and achieves cost optimization by using risk management tools.

(I) Risk management vision:

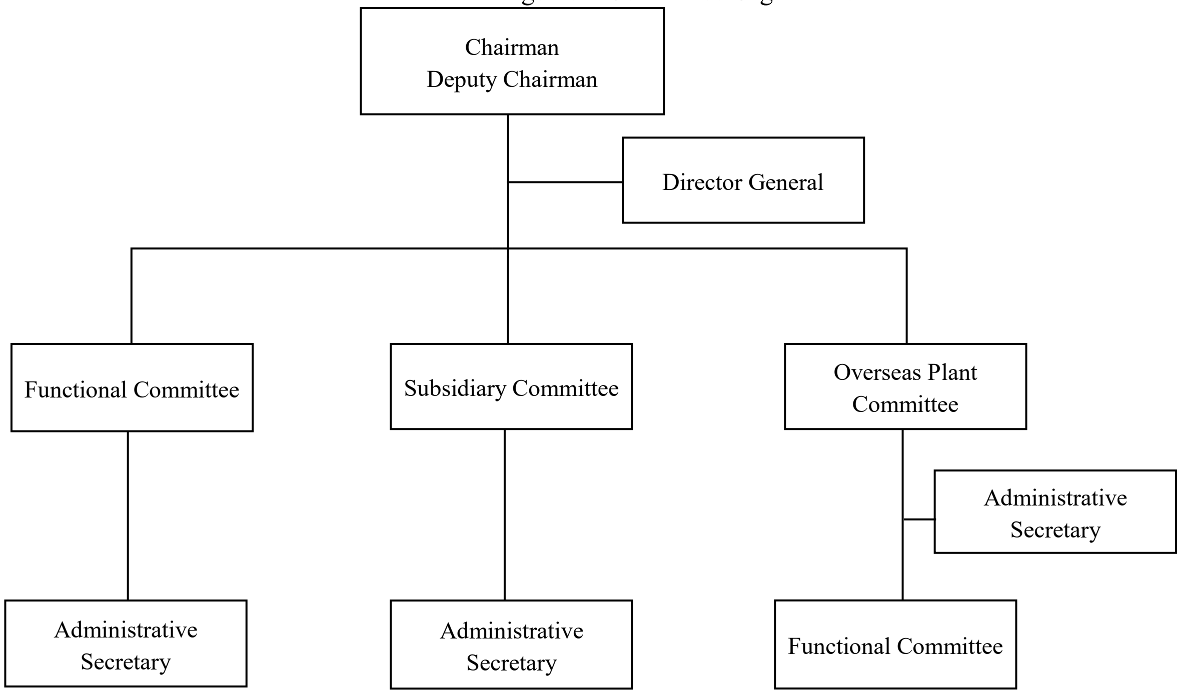
1. Undertake to continue to provide products and services to create long-term value for customers, shareholders, employees and society.
2. Risk management must have systematic risk management procedures and organizations to identify, evaluate, process, report and monitor major risks that affect the Company's viability, and enhance the risk awareness of all employees.
3. Risk management is not the pursuit of "zero" risk, but the pursuit of maximum benefit under the condition of acceptable risk to optimize the risk management cost.

(II) Risk management policy:

1. Ensure the Company's sustainable operation, establish a risk management committee, and identify, evaluate, process, report, and monitor the risks that may negatively affect the Company's operating goals every year.
2. Identify and control risks before an accident occurs, suppress losses when an accident occurs, and quickly resume product and service provision after an accident; and formulate a business continuity plan for major risk scenarios identified by the Risk Management Committee. Also, create a Emergency Response Manual and regularly updated.
3. For the risk that does not exceed the risk tolerance, the risk management cost must be considered and treated with different management tools, but the following conditions are not limited to this.
   - Negative impact on the safety of employees.
   - Cause violation of laws and regulations.
   - Negative impact on the Company's goodwill.

(III) Risk management structure and responsibilities:

Risk Management Committee Organization



To effectively control risk management, the Risk Management Committee (RMC) implements the construction, implementation, supervision, and maintenance of risk management plans. The committee effectively monitors risks through risk self-assessment reports and specific improvement plans for risk improvement plans, , analyze risk distribution and formulate risk improvement guidelines by managing annual reports.

Status Report on the Implementation of Climate-related Information

<table>
<tr><th>Item</th><th>Implementation State</th></tr>
<tr><td>1. Describing the supervision and governance of climate-related risks and opportunities by the Board of Directors and management.</td><td>Established a Climate Change Management Task Force, chaired by the Chairman and CEO, with the General Manager as Vice Chairman. Unit-level executives will serve as members, with the CFO/Risk Management Unit serving as Secretary General, to initiate activities related to the TCFD framework. Starting in 2022, the Board of Directors and the Audit Committee will receive regular reports on climate change-related issues on an annual basis.</td></tr>
<tr><td>2. Explain how the identified climate risks and opportunities affect the business, strategy, and financial aspects of the enterprise in the short, medium, and long term.</td><td>Based on the methodology for evaluating climate change risks and opportunities, internal definitions have been established to outline time frames that could yield impacts. The short term is defined as 0-3 years, the medium term as 3-5 years, and the long term as 5-10 years. Following the identification assessment, the top five risks and opportunities are as follows:
(1) Risk
• Shortage of raw materials or cost increase (short term).
• Extreme weather events (short term)
• Average temperature increase (medium term)
• Changes in rainfall (medium term)
• Carbon emission disclosure requirements strengthened / Carbon pricing mechanism (short term).
(2) Opportunity
• Research and innovation in the development of new products and services (short term).
• Renewable energy and energy efficiency (short term).
• Develop and/or expand low-carbon products and services (short term).
• Minimize water usage and consumption (long term).
• Leverage emerging technologies (medium term), and expand into new markets (medium term).</td></tr>
<tr><td>3. Describe the financial impacts of extreme weather events and transition actions.</td><td>The top five impacts of climate change risks and opportunities on finance, ranked by the proportion of financial impact to revenue, are as follows:
• Transition risk - Low-carbon alternative products and services (short term).
• Develop and/or expand low-carbon products and services (medium term).
• Transition risk - Mandatory use of renewable energy (medium term)
• Opportunities - Mandatory use of renewable energy (medium term)
• Physical risk - Extreme weather events (short term)
The Company is committed to continuous improvement and conducts an annual assessment of climate change risks and opportunities. It develops and oversees a climate change adaptation action plan and convenes regular management review meetings for evaluation.</td></tr>
<tr><td>4. Describe how the identification, assessment, and management process of climate risks are integrated into the overall risk management system.</td><td>Integrate climate-related issues into the Company's risk management process and address high-risk issues in high-level meetings. Conduct annual reviews of changes in transition risks and physical risks, and continually update the adaptation action plan.</td></tr>
<tr><td>5. When conducting scenario analysis to evaluate resilience against climate change risks, it is crucial to offer a comprehensive explanation of the scenario, including parameters, assumptions, analysis factors, and significant financial impacts used.</td><td>Assuming the physical scenario refers to the SSP5-8.5 (extremely high emission scenario) of the IPCC's Sixth Assessment Report (AR6), the mainland factory area is based on the RCP8.5 of the IPCC's Fifth Assessment Report (AR5) due to insufficient external literature.
<table>
<tr><th rowspan="3">Factory Area</th><th>Climate Scenario</th><th colspan="2">SSP5-8.5</th></tr>
<tr><th>Identification Year</th><th rowspan="2">2021-2040</th><th rowspan="2">2041-2060</th></tr>
<tr><th>Climate indicator</th></tr>
<tr><td rowspan="2">Taoyuan headquarters</td><td>Annual average temperature fluctuation</td><td>+0.2°C~1.3°C</td><td>+0.9°C~2.4°C</td></tr>
<tr><td>Annual average rainfall variation</td><td>-7.8%~18.8%</td><td>-16%~29.8%</td></tr>
<tr><td rowspan="2">Longke Factory Area</td><td>Annual average temperature fluctuation</td><td>+0.2°C~1.3°C</td><td>+0.9°C~2.4°C</td></tr>
<tr><td>Annual average rainfall variation</td><td>-7.8%~18.8%</td><td>-16%~29.8%</td></tr>
<tr><td rowspan="2">Yunke Factory</td><td>Annual average temperature fluctuation</td><td>+0.4°C~1.2°C</td><td>+1.1°C~2.3°C</td></tr>
<tr><td>Annual average rainfall variation</td><td>-12.1%~27.1%</td><td>-18.5%~38.3%</td></tr>
</table>
Note: AR6 is a combination of both the Shared Socioeconomic Pathways (SSPs), and the Representative Concentration Pathways (RCPs), which are collectively referred to as SSP-RCPs.
<table>
<tr><th rowspan="3">Factory Area</th><th>Climate Scenario</th><th colspan="2">RCP 8.5</th></tr>
<tr><th>Identification Year</th><th rowspan="2">2021-2040</th><th rowspan="2">2041-2060</th></tr>
<tr><th>Climate indicator</th></tr>
<tr><td rowspan="2">Suzhou Factory</td><td>Annual average temperature fluctuation</td><td rowspan="4">Insufficient literary sources</td><td>+2.0°C~4.0°C</td></tr>
<tr><td>Annual average rainfall variation</td><td>+3.0%~17.1%</td></tr>
<tr><td rowspan="2">Wuhu Factory</td><td>Annual average temperature fluctuation</td><td>+2.0°C~4.0°C</td></tr>
<tr><td>Annual average rainfall variation</td><td>+3.0%~17.1%</td></tr>
</table>
Note: AR5 refers to the Representative Concentration Pathways (RCPs).
If the transformation scenario involves changes in regulations, policies, product demands, or green inflation, the explanation is as follows:
• Regulatory Context: In line with the government's regulatory policy on climate change and energy transition, BenQ Materials has announced its commitment to achieve carbon neutrality and net zero emissions by 2050. Additionally, the Company aims to achieve the RE100 target by 2040.
• Policy Transformation Scenario: The Taiwanese government has implemented climate and energy transition regulations and policies to achieve carbon neutrality and net zero emissions</td></tr>
</table>

<table>
<tr><td></td><td>by 2050, while limiting the average temperature rise to 1.5°C. These measures are in line with the goals of the Paris Agreement, to which countries around the world have committed. They include restrictions on energy-intensive industries and the sale of products with high carbon emissions.
• Context of Product Demand Transformation: Taiwan and countries around the world are committed to achieving the goals of the Paris Agreement, which aims to limit the average temperature rise to 1.5°C or less. As a result, various carbon reduction policies and low-carbon business incentives have been implemented, resulting in a significant increase in demand for renewable energy and low-carbon products, and the emergence of thriving new industries.
• The Green Inflation Transformation Scenario: Taiwan and countries around the world are committed to achieving the goals of the Paris Agreement, which aims to limit the average temperature increase to 1.5°C or less. In order to comply with the government's carbon reduction requirements, suppliers will face higher operating costs and shift the burden to materials supplied by BenQ Materials, leading to a significant increase in raw material costs.</td></tr>
<tr><td>6. If there is a transition plan in place to address and manage climate-related risks, please provide a description of the plan's content, as well as the indicators and objectives used to identify and manage physical and transition risks.</td><td>Climate Change Performance Management Indicators and Goals have been established:
• Renewable Energy Proportion: A target has been set to increase the proportion of renewable energy to 30% by 2030.
• GHG Emissions: A 30% reduction in GHG emissions by 2030 compared to 2020 baseline.
• By 2050, we aim to achieve net-zero emissions and meet key climate targets, which includes product design.
Project Content:
<table>
<tr><th>Category</th><th>Focus</th><th>Management Policy/Project Content</th></tr>
<tr><td>Physical Risk</td><td>Extreme weather events</td><td>• Strengthening the resilience of the internal power system
• Strengthening the resilience of the internal water resource system
• The risks associated with extreme weather conditions were considered in the design of the new plant</td></tr>
<tr><td rowspan="4">Transition Risk</td><td>Regulations, including carbon pricing, and mandatory use of renewable energy</td><td>• Installation of solar power generation equipment
• Promoting energy-saving and carbon reduction activities to enhance energy efficiency
• Participating in the domestic green energy market and introducing renewable energy sources</td></tr>
<tr><td>Market, increase or shortage of raw material costs</td><td>• Layout and implementation of substitute materials projects
• Guiding suppliers in energy conservation and carbon reduction</td></tr>
<tr><td>Technology, low-carbon alternative product investment / R&D failure</td><td>• Design and development of low-carbon products
• Reducing waste and promoting recycling in production
• Reducing packaging materials</td></tr>
<tr><td>Changing consumer habits</td><td>• Product adjustment, expanding into other application areas</td></tr>
<tr><td rowspan="4">Opportunity</td><td>Develop and/or expand low-carbon products and services</td><td>• Introduction to low-carbon materials
• Green production
• Reducing raw material usage
• Equipment optimization</td></tr>
<tr><td>Research and innovation in the development of new products and services</td><td>• Application of innovative technologies to develop alternative materials</td></tr>
<tr><td>Employing more efficient production and distribution processes</td><td>• Process optimization</td></tr>
<tr><td>Recycling</td><td>• Packaging material recycling
• Reuasable consumables
• Recycling and manufacturing</td></tr>
</table></td></tr>
<tr><td>7. If using internal carbon pricing as a planning tool, the foundation for price setting should be explained.</td><td>BenQ Materials has set its internal carbon price at NT$1,650 per metric ton (approximately $55 USD). In the future, the Company will use the shadow pricing method when evaluating new investment projects. Before any investment is made, a thorough estimate of the potential carbon costs will be made. These costs, along with the benefits of emission reductions, will be considered in the final investment decision. This approach ensures that the impact of carbon emissions is taken into account when making investment decisions on new projects, and enables effective anticipation and management of potential carbon costs.</td></tr>
<tr><td>8. If climate-related targets are set, it is important to explain the activities covered, the scope of GHG emissions, the planning schedule, and annual progress. If carbon offsets or renewable energy certificates (RECs) are utilized to meet these goals, the</td><td>BenQ Materials' climate goals: 100% renewable energy usage by 2040 and net-zero emissions by 2050.
Progress achieved in 2023: 2,794 kWh of self-generated solar energy, 3,656 kWh of purchased green energy, 7,620 kWh of purchased IREC green energy certificates, resulting in a renewable energy usage ratio of 21%.</td></tr>
</table>

source and quantity of the carbon offsets or the quantity of the renewable energy certificates (RECs) should be identified.	
9. Inventory and verification of GHG emissions, reduction targets, strategies and action plans.	Please refer to page 34.

Risk management and evaluation

(I) Effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

Changes in interest rate:

The main impact of changes in interest rate on the Company comes from the floating interest rate debts arising from supporting operations and investment activities. Changes in market interest rate will cause the floating interest rate of borrowings to change accordingly. In order to avoid higher interest rate in the future and increase the uncertainty of financing costs, the Company will undertake interest rate exchange transactions at appropriate times according to market conditions, and convert some floating interest rate liabilities to fixed interest rates to reduce the impact of interest rate fluctuations on the Company. In terms of assets, the Company's capital allocation is based on the principle of conservatism and stability to ensure the security of principal and maintain liquidity. Looking ahead, the benefits of capital expenditures and new product lines will gradually be realized. With sufficient working capital, loans can be repaid one after another to reduce the burden of interest expenses, and the ratio is expected to decline.

Changes in exchange rate:

The Company's revenue is mainly derived from the US dollar, and capital expenditure and manufacturing costs are mainly based on the Japanese Yen, supplemented by the New Taiwan dollar and the US dollar, so severe international exchange rate fluctuations may affect foreign currency-denominated operating income, operating costs and even profit performance. In order to avoid the adverse impact of changes in exchange rate on the Company's operating results, the Company adopts natural hedging and forward foreign exchange hedging transactions to reduce the impact of exchange rate risk on the Company's profit and loss, and will continue to conduct hedging transactions in the future.

Inflation:

The price has risen steadily in recent years, which has no significant impact on the results of the Company's 2023 consolidated operations. The Company and its subsidiaries will continue to pay close attention to the inflation situation and appropriately adjust the product selling price and inventory to reduce the impact of inflation on the Company and its subsidiaries.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

The Company and its subsidiaries did not engage in high-risk, high-leverage investments, and acted with the principle of prudence and stability to carry out funds allocation and hedging activities.

When the Company and its subsidiaries are engaged in capital lending, endorsements and guarantees, and derivative transactions, the Company will, in addition to complying with the relevant handling procedures, and to making a public announcement and filing the necessary reports in accordance with the regulations of the competent authorities:

1. Capital lending to others: As of the publication date of the Annual Report, the Company and its subsidiaries are limited to lending its capital to the Company and its subsidiaries.
2. Endorsement guarantee: As of the date of publication of the Annual Report, the Company and its subsidiaries did not provide any endorsement guarantee.

3. Derivative transactions: The Company and its subsidiaries engaged in derivative transactions that are in line with the Company's operation. The purpose is to avoid market risks and reduce the Company's operational risks.

The Company and its subsidiaries will continue to conduct hedging under the principle of avoiding risks arising from the fluctuation of foreign currency and interest rate. The Company and its subsidiaries will also take operating conditions and market trends into consideration to periodically examine portions exposed to interest rate and foreign currency risks and adjust the relevant hedging strategies.

(III) Future R&D plan and estimated R&D expenses

The Company's estimated research and development expenses are gradually compiled according to the progress of new product and technology development to support future research and development plans. It is estimated that future research and development expenses will remain above a certain amount and will be adjusted according to operating conditions.

(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

(1) The relevant units of the Company have always paid close attention to and mastered the policies and laws that may affect the operation of the Company, and cooperated with the adjustment of internal systems to ensure the smooth operation. Therefore, recent changes in relevant laws and policies have no significant impact on the Company's financial and business operations.

(2) The Company's business philosophy is compliance with relevant laws and regulations as the highest guiding principle; therefore, the Company's management team always pays attention to the changes of various relevant laws and regulations, and expects to respond to the different situations arising from the changes of regulations at any time. To date, the changes are not expected to result in a significant change in the Company's strategy.

(V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

Our Company remains committed to closely monitoring and analyzing market and technological developments relevant to our products. We quickly adapt to and mitigate the impact of the latest technology and industry changes. In addition, we are actively engaged in promoting information security improvement initiatives to continuously improve our Company's cybersecurity maturity. The financial operations of our Company have not been significantly affected by recent technological changes and industry developments during the past fiscal year and up to the date of printing of this annual report.

(VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response

The Company regularly checks the external environment, operation pattern, management system, and other matters, understands the situation of any unexpected accidents that may affect the reputation of the Company, simulates the possible impact, proposes countermeasures, and reduces the uncertainty of the Company to a minimum; and a risk management unit is in charge of operation-related risk and impact analysis and cooperates with the risk management committee to formulate relevant contingency plans.

(VII) Expected benefits and possible risks of M&A

The Company is not currently engaged in any other corporate mergers or acquisitions but will evaluate and avoid the cost-effectiveness and potential risks of any future strategic investments or vertical or even horizontal integration.

(VIII) Expected benefits and possible risks of plant expansion

BenQ Materials has successfully transformed into an enterprise focusing on the development of "Material Science" professional field to create a golden triangle operating structure of functional films, medical products and Advanced Battery Materials, and high-value-added products (such as polarizer front-end processes, chemicals/biomedicine/energy, and other materials). It will continue to develop and construct new product manufacturing plants to achieve the Company's sustainable management and development and the philosophy of taking root in Taiwan.

In order to meet the development of the above operation strategy, the Company has planned the Yunke plant as a key manufacturing base. According to the Company's future operational strategic planning and product development schedule, it will complete the construction of related plants to maximize economic scale benefits.

(IX) Risks encountered in concentration of purchases or sales

1. The risks and countermeasures of purchases concentration:

   The Company needs to obtain the raw materials needed for production in due course. Some of the purchased raw materials are supplied by a single manufacturer. Therefore, if there is a shortage of raw materials of the supplier or its upstream manufacturers and the Company fails to find alternative materials in time, it will result in the risk of being unable to meet the needs of customers in a timely manner. As a result, the Company's revenue and profit may decline. The Company continues to bring in local suppliers to reduce the proportion of imported raw materials. In addition to effectively reducing supply chain costs, it also reduces supply chain risks. In addition, for raw materials that come from a single supplier, the Company distributes its raw material purchases from upstream suppliers in addition to the Company's cooperation with existing suppliers to bring in more than one production plant. The Company is also committed to bringing in new suppliers and expects to minimize the risks involved.

2. The risks and countermeasures of sales concentration:

   The Company's main customers account for a significant proportion of the Company's revenue, and in recent years, the Company's main customers have been adjusted as the product portfolio changes. If major customers reduce, delay or cancel orders, or experience financial difficulties, it will have an impact on the Company's revenue and profit. Therefore, the Company is committed to maintaining a close relationship with our customers and will continue to provide services that satisfy their needs. The Company will also strictly monitor the changes in customers' credit status and is committed to the development of potential customers in order to reduce the risk of concentrated sales.

(X) The impact and risk of significant transfer or replacement of shares of Directors, independent directors or large shareholders holding more than 10% of the shares on the Company

There is no significant transfer or replacement of shares of the Company's directors

(XI) Impact and risk of changes in management rights on the Company

In the most recent year and up to the date of publication of the annual report, the Company has not experienced any change in management rights.

(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities

(1) Major litigation, non-litigation or administrative litigation in which the company is currently involved:None.

(2) Where the Directors, Supervisors, general managers, substantive responsible people, major shareholders, and affiliated companies with a shareholding ratio of more than 10% have decided on major litigation, non-litigation, or administrative litigation events that have been confirmed or are still affiliated in the last two years and up to the date of publication of the annual report, and the results may have a significant impact on shareholders' rights and interests or securities prices:

The lawsuits of the Company's corporate director, Qisda Technology Co., Ltd. (referred to as Qisda), are described as follows:

A number of direct and indirect consumers in Canada filed a class-action lawsuit for damages in January 2012 on the grounds that the Company participated in the pricing agreement of ODD (Optical Disk Drive) products and violated Canadian antitrust laws. The Company has appointed a lawyer to deal with it. The final result is yet to be determined.

(XIII)Impact and risk of information system

In view of the current emerging information security attack trends, such as ransomware, social attacks, and counterfeit emails, which seriously threaten the information security of global companies and individuals. In order to protect the Company's rights and the goal of sustainable operation, it has established establish a safe and reliable computerization operating environment to ensure the safety of the Company's computer data, systems, equipment, network and maintain normal operation. The Company has established the "Information Security Policy Procedures" and the "Information Security Practices" formulated in accordance with the framework in accordance with the ICT Security Management Law, Personal Data Protection Law, Copyright Law, Electronic Signature Law and other regulations. The audit department shall conduct regular audits and report to the Board of Directors in accordance with the established measures.

1. Information Security Management Framework

   The Company has established an information security management committee at the end of 2021 (one meeting is held every year), and the risk management committee (one meeting is held every six months) regularly reviews the current situation of the Company's information security governance, reports its operation to the Board of Directors at the end of each year, and continues to pay attention to For information security issues, plan response plans and strengthen the purchase of information security protection software and hardware, including new antivirus software updates, joint protection establishment of global security networks, internal operating system upgrades, and vulnerability repairs. The Company has established a Cybersecurity Department, which includes a Cybersecurity Supervisor and two Cybersecurity Specialists.

2. Information Security Policy

   In order to strengthen information security management, the Company has established various reliable information application systems to protect electronic information assets, avoid and reduce business damage, enhance business interests and ensure sustainable business operations. It better meets international information security management trends and responds to customer information security requirements, and formulates corporate information security policies with reference to the ISO27001 information security international standard. Over the years, we have continued to improve various internal information security management mechanisms, regularly carry out information security advocacy and employee information security education and training, etc., to implement information security policies, protect customer data and Company intelligence output, strengthen information security incident response capabilities and achieve Information security policy metrics. Join the Taiwan Computer Emergency Response Team Coordination Center (TWCERT) in 2023 to participate in collaborative defense operations.

3. Information Security Specific Management Plan and Resource Allocation for Information Security Management

   (1) Cyber attacks are ever evolving and changing, and information systems cannot completely prevent any third-party denial-of-service attacks. Cyber attacks may introduce malware to the Company's internal network for intentional damage or information theft via emails, online phishing, or brute-force attacks. Brute-force attacks may force the Company's production and operations to stop, while information theft attacks may lead to leaks of material operating information, or personal information from employees or customers.

   (2) The Company adopts active information security strengthening procedures. Besides introducing next-generation firewalls, email filtering, Internet access protection, operating system updates, installing anti-virus software, and 24/7 managed security service, the Company also evaluates risks related to information security each quarter through internal risk management system and reports status of risk control and improvement plans to the Risk Management Committee to control and mitigate relevant cyber risks.

   (3) Introduced Event Detection and Response Mechanisms (EDR, NDR, and MDR) in 2023.

(4) Given the recent frequent cyberattacks, in order to lower the risk of significant cybersecurity incidents leading to substantial losses for the Company, we are continuously maintaining cybersecurity insurance coverage.
(5) To effectively enhance the overall information security governance capability, ISO 27001 Information Security Management System international standard was adopted in 2022 (valid from April 1, 2022, to March 31, 2025), and its implementation has been extended to Suzhou and Wuhu plants. Continued weekly ISMS improvement meetings throughout 2023.
(6) We perform continuous vulnerability patching on critical systems.

4. Employee regular information security training

Conducted information security education and training for the information office, online information security education and training for the entire company (781 people), and information security lectures for senior executives (45 people), and implemented the information security month in October, in Taoyuan, Longtan, Yunlin, Factories such as Suzhou and Wuhu hold information security publicity activities. Through various information security education and training courses, we not only enhance employees' awareness of information security but also ensure that information security concepts can be integrated into daily operations. In addition, the Company regularly promotes relevant information security knowledge to employees through emails. In order to further reduce the risk of employees clicking malicious emails by mistake, the Company plans to conduct social engineering drills quarterly throughout 2023.

5. Supplier Information Security Management

In April 2022, the first information security risk assessment for suppliers of each business group was conducted. In 2023, a total of 66 suppliers underwent the assessment. In addition to providing references for external risks of the Company, information security guidelines will also be provided to relevant manufacturers to improve the overall information security maturity, to reduce the corresponding risks that may occur.

6. The Company did not have any major cyberattacks that impacted the Company's operations in 2023.

(XIV)Impact and Risk of Intellectual Property Management

Intellectual property aims to protect the performance of R&D achievements and technological competitiveness. According to the Company’s technology development and product strategy, it formulates medium and long-term intellectual property strategies, and enhances the overall patent strength by strengthening the Company’s patent layout and regularly reviews the implementation results to protect the Company’s freedom of operation and strengthen its competitive advantage.

1. Strategies and Targets of Intellectual Property

The Company actively encourages innovation and independent R&D. The strategy of intellectual property rights focuses on the core technology and integrates the Company’s technology and product development layout of quality patents as the first priority. It continues to promote the layout of patents, develop high-potential technologies, innovations in the production and operation processes, and effectively manage and use high-quality patents.

In order to implement corporate governance laws and regulations, an intellectual property management plan combined with the company’s operating strategy has been formulated, and the implementation situation is disclosed on the company’s website, which will help gain the trust of shareholders and customers. In order to establish the patent management and trademark management required for the R&D cycle and the Company’s intellectual property management, and to deepen the Company’s trade secrets management, the Company is promoting four major management policies and goals, including:

Management policy:

(1) Implementing corporate governance compliance
(2) Improve intellectual property management and establish an intellectual property management system.
(3) Improve the intellectual property framework and consistently build an intellectual property portfolio.
(4) Raising employees’ awareness of protecting intellectual property and creating intellectual property value

Management objectives:

(1) Develop and implement an intellectual property management plan that is consistent with business objectives and consistently promotes the Taiwan Intellectual Property Management System (TIPS). Provide regular reports on the implementation of the IP Management Plan to the Board of Directors and publish them on the official website.
(2) Implement intellectual property management, integrate various intellectual property management standards, and establish clear relationships among intellectual property-related operating procedures documents.
(3) Improve the RD document management system and fully digitize all R&D records.
(4) Establishing a patent information monitoring system.
(5) In order to effectively promote the TIPS system, regular internal audits are conducted, management review meetings are held, and work group education and training sessions are organized.
(6) To enhance employees’ awareness of intellectual property, educational training courses are organized, including: (a) Intellectual Property course for new employees; (b) Advanced Intellectual Property course for research and development personnel; (c) Advanced training course for intellectual property specialists.

2. Intellectual Property Management System

Actively promote intellectual property management to implement the intellectual property management system. The TIPS Taiwan Intellectual Property Management System (Taiwan Intellectual Property Management System) re-verification application was submitted in 2022. Through the re-verification application of the intellectual property management system, the company’s intellectual property management objectives and implementation will be deepened. Various operating procedures and practical operations have passed the TIPS A-level verification again in December 2022 (certificate number TIPS-2022-CERT.-015)(Valid till December 31, 2024).

The main measures in the intellectual property management system are as follows:

(1) Patents

The Intellectual Property Office is the principal entity responsible for the Company’s patent-related activities. The patent management and incentive system include regulations regarding patent application, research and development record management, patent rights maintenance assessment, incentive measures, and other relevant management standards. Furthermore,through patent layout, we aim to enhance overall patent strength to bolster competitiveness. Additionally, regulating the review mechanism before the public disclosure of research and development results helps protect company innovations and mitigates the risk of confidential information leakage.

(2) Trademarks

The legal department is the principal entity responsible for the Company's trademark-related activities. Improve the trademark application and usage control process, regularly update the trademark management list, and review the use of owned trademarks while maintaining records. Proactively implement a brand layout to mitigate brand risks and protect the Company's brand, enhancing brand value.

(3) Confidential Information Management

In order to protect the management of the Company's confidential information, the relevant regulations on the ownership of intellectual property rights, confidentiality obligations, and non-infringement of the former company's intellectual property are specified in the relevant operating procedures for the appointment and resignation of new employees, to maintain the Company's business secrets and respect other companies. trade secrets. Conduct relevant educational training to enhance employees' understanding of intellectual property concepts, continually adhere to the relevant provisions of confidential data management, effectively reduce the risk of confidential information or critical technology leakage, and protect the Company's important confidential data. Efforts should be made to consistently improve the management of confidential documents to mitigate the risk of unauthorized disclosure of sensitive information or critical technology.

3. Implementation of intellectual property management

The Company has integrated the intellectual property management system with the operational strategy, in compliance with the intellectual property management plan. The implementation outcomes have been reported to the fourth Board of Directors' meeting in 2023 on November 2, 2023. We have developed the Intellectual Property Management Manual in accordance with the Taiwan Intellectual Property Management System Regulations (TIPS). This manual serves as the basis for implementing and enforcing our intellectual property management system and ensuring its effective operation. The execution of management includes:

(1) Implement and verify corrective actions for 2022 TIPS re-verification and 2023 random inspection findings;

(2) Implement the control process for intellectual property management, integrate various intellectual property management standards, establish clear associations among various intellectual property-related operational procedure documents to avoid management loopholes;

(3) Effectively controlling and managing the maintenance process of domestic and foreign intellectual property documents and intellectual property assets using the intellectual property management system. Irregularly updating the management system and control procedures in accordance with changes in domestic and foreign intellectual rights laws and regulations to maintain the effectiveness of the patent management system;

(4) Using an incentive system to encourage employees to obtain intellectual property protection (Including patents or trade secrets, etc, for R&D results);

(5) Revising the management process of confidential documents of intellectual property, including the use and storage of the documents, confidentiality period, decryption and destruction, etc; Strengthening the management mechanism of R&D to prevent the risk of infringement and leakage of business secrets.

(6) Fully digitize R&D records to strengthen the management and protection of the R&D process, and establish a patent information monitoring system to provide research and product development units with current industry status and technology development trends;

(7) Periodically initiate internal audit procedures within the research and development cycle to ensure that the acquisition, maintenance, and use of intellectual property rights are handled in accordance with company policy;

(8) In order to protect the Company's intellectual property rights, employees sign relevant employment contracts at the time of taking office. The contracts legally stipulate that the job invention is the

Company's intellectual property rights, and during term of office and after resignation, and the Company's intellectual property rights and business secrets shall be kept confidential; and

(9) implement intellectual property education and training programs at all levels to ensure that all employees have the necessary knowledge for their respective roles in intellectual property protection. This initiative not only contributes to the creation of intellectual property value but also mitigates operational risks.

4. Intellectual property achievements

As of December 2023, the company has filed a total of 1,200 patent applications worldwide and has obtained 800 patents, with layouts in major markets and countries such as Taiwan, the United States, the European Union, Japan, South Korea, China, and India. Material science and technology are the core, including polymer, optics, roll-to-roll process, precision coating process, precision engraving, extrusion/ejection molding and other related technologies, as well as polarizing film, non-polarizing optical film, contact lens, medical, battery separators.

Additionally, as of December 2023, the Company has proposed more than 500 trademark designs worldwide and has obtained 423 trademark exclusive rights, covering Taiwan, the United States, the European Union, Japan, mainland China, South Korea, Southeast Asia, New Zealand, and Australia.

Huge patent data and trademark data are systematically managed through the BenQ Materials patent database and trademark database, so as to effectively grasp the progress of patent and trademark applications, obtaining certificates, and subsequent maintenance and operation.

TIPS Verification: Successfully passed the TIPS A-level re-verification on November 4, 2022 (Certificate TIPS-2022-cert.-015, valid until December 31, 2024). Also underwent TIPS re-verification sampling on April 14, 2023.

5. Education Training

Intellectual property related courses are regularly organized to enhance the concept of intellectual property of the Company's colleagues and promote the Company's intellectual property management system, so as to jointly implement the intellectual property strategy and implement the intellectual property management system.

6. Advantages and Contributions of Intellectual Property to Business Operations

(1) Implement corporate governance compliance and intellectual property management: Continuously implement corporate governance compliance and produce intellectual property reports, which will help improve corporate governance evaluation rankings and enable customers and investors to understand the company's intellectual property value and competitive advantages. Through the standardization of intellectual property management, the management process of intellectual property planning, acquisition and maintenance can be improved, which will help improve the quality and management of intellectual property.

(2) Deepen key technologies and improve intellectual property layout: through the Intellectual Property Office, timely formulate patent strategies and patent layout plans to protect the Company's core technologies.

(3) Improve employees' intellectual property awareness and create intellectual property value: Through the standardization of intellectual property management, the management process of intellectual property planning, acquisition and maintenance can be improved, which will help improve the quality and management of intellectual property.

(4) Continuous improvement of intellectual property management processes, protecting R&D results, and strengthening confidentiality management: Ongoing utilization of the "R&D document management system" to control R&D documents and strengthen the management mechanism related to the R&D process will help protect the Company's R&D results and avoid the risk of leaking business secrets. Applying intellectual property management documentation and standardized management helps improve processes such as intellectual property planning, acquisition, and maintenance. It also facilitates interdepartmental communication and collaboration, helping to improve the quality and management of intellectual property and ensuring sustainable business development.

7. The Outlook of Intellectual Property Management

BenQ Materials, based on the foundation of “materials science”, continuously innovates and produces four major categories of products: Functional films, advanced battery materials, medical products, and waterproof breathable textiles, by continuously applying and innovating with the core technologies it possesses. The intellectual property rights strategy focuses on core technology and integrates the company’s technology and product development layout of quality patents as a top priority. The Company will continue to promote the layout of patents, develop high-potential technologies, and innovations in production and operation processes, effectively manage and use high-quality patents, hope that we can become a multi-product, multi-technology, and multi-application enterprise, and provide customers with unique value and satisfaction through continuous innovation.

Intellectual property is critical to a company’s ability to sustain profitability. By implementing and promoting the TIPS system, the company significantly strengthens its control over intellectual property risks. This year, we will align with the Company’s business strategy and improve operational efficiency by strengthening our intellectual property management system. In the future, we will strive for continuous breakthroughs and innovative advances, building on a solid foundation of intellectual property management. Additionally, we will strengthen corporate governance and demonstrate long-term corporate value.

8. The Company had no major intellectual property-related litigation or non-litigation cases in 2023.

(XV) Other important risks and countermeasures: None.

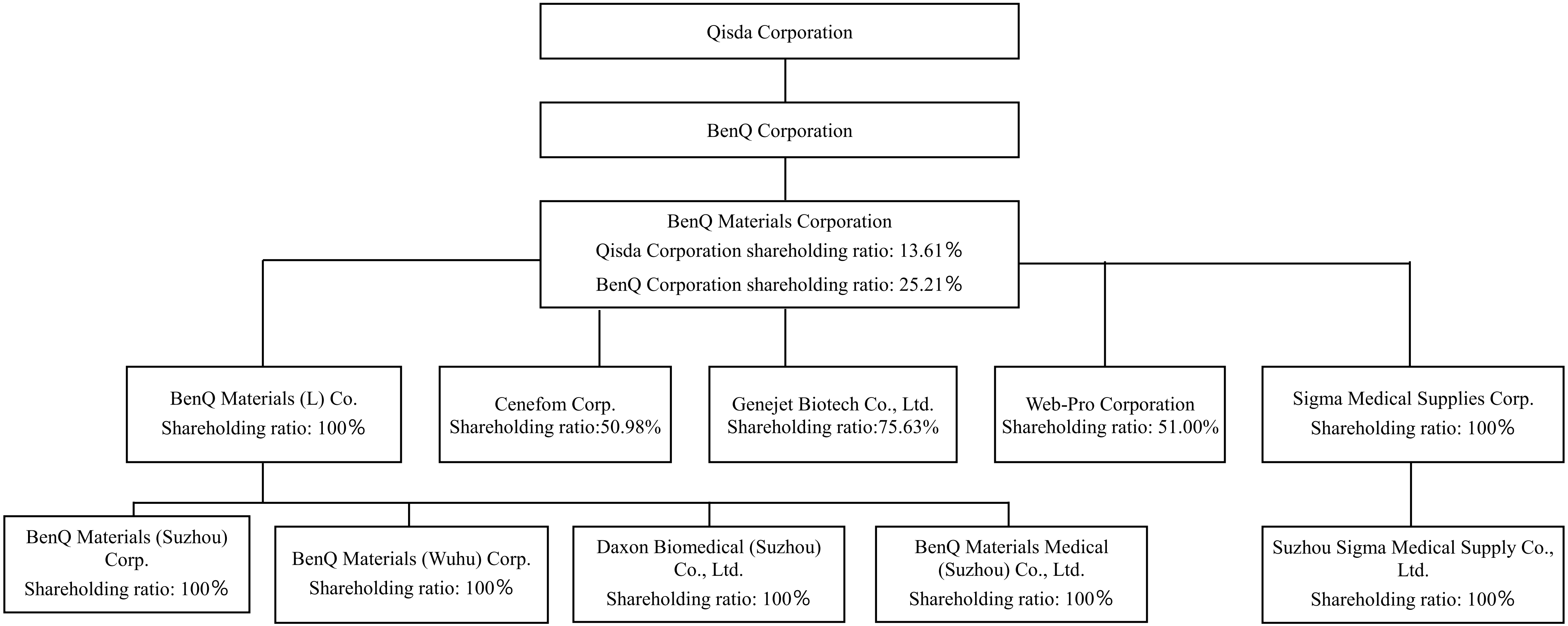
Other important matters

None

Special Disclosure

Affiliated Company Related Information

(I) Organization chart



(II) Basic information of related companies

December 31, 2023 Unit: NT$ thousand

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
BenQ Materials (L) Co.	2000.09.07	Level 15(B), Main office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	499,790	Investment holding company
BenQ Materials (Suzhou) Corp.	2000.09.29	No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China	246,000	Processing of functional film products
Daxon Biomedical (Suzhou) Co., Ltd.	2009.05.08	No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China	47,700	Provide services and sales of medical devices and other related products
BenQ Materials (Wuhu) Corp.	2010.11.05	No. 106 Huajin South Road, High-tech Development Zone, Yijiang District, Wuhu City, Anhui Province, China	346,912	Manufacturing and sales of functional films and cosmetic-related products
BenQ Materials Medical (Suzhou) Co., Ltd.	2019.07.08	No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China	65,046	Manufacturing and sales of medical devices
Sigma Medical Supplies Corp.	1979.04.21	No. 29 Jianguo East Road, Guishan District, Taoyuan City	20,000	Sales of medical equipment
Suzhou Sigma Medical Supply Co., Ltd.	2000.12.15	No. 33, Yuexi Mulin Road, Wuzhong District, Suzhou city, China	22,202	Sales of medical equipment
Cenefom Corp.	2013.01.04	1F, No. 50-5, Keyan Road, Zhunan Town, Miaoli County, Hsinchu Science Park	228,460	Research and development, manufacturing and sales of medical equipment
Genejet Biotech Co., Ltd.	2011.10.24	3F, No. 56, Lane 77, Xing'ai Road, Neihu District, Taipei City	53,809	Research and development, manufacturing and sales of medical equipment
Web-Pro Corporation	1994.07.29	No. 4 Yonggong 3rd Road, Yongan Industrial Zone, Yongan District, Kaohsiung City	700,000	Manufacturing and sales of medical devices

(III) Presumed to have the same shareholder information as those with control and affiliation: None.

(IV) Overall relationship with the industries covered by the Company's operations, and explain the division of labor

The main business of the company is the production and manufacturing of materials science products, mainly based in Taiwan, for the international production and sales division. The Taiwan headquarters is responsible for product development, and process design, new product trial production and sales of all products; In part, they are responsible for the manufacturing of the rear section of polarizers and the sales of materials science products in China. This system of division of labor enables the Company to fully exert its comprehensive effects in R&D, manufacturing and marketing, thereby generating the best competitiveness.

(V) Information of directors, supervisors and general managers of related companies

December 31, 2023; Unit: Thousand shares;%

Name of Affiliate	Position	Name or Representative	Shareholding: Number of Shares	Shareholding: Percentage of Ownership
BenQ Materials (L) Co.	Director	BenQ Material Corporation Representative: Zhien-Chi (Z.C.) Chen Shen-Hsing Wang	14,082	100%
BenQ Materials (Suzhou) Corp.	Director	BenQ Materials (L) Co. Representative: Ting-Yuan Chiang Oliver Liu Charles Liu	-	100%
	Supervisor	Shen-Hsing Wang		
	General manager	Ting-Yuan Chiang		

<table>
<tr><th rowspan="2">Name of Affiliate</th><th rowspan="2">Position</th><th rowspan="2">Name or Representative</th><th colspan="2">Shareholding</th></tr>
<tr><th>Number of Shares</th><th>Percentage of Ownership</th></tr>
<tr><td rowspan="3">Daxon Biomedical (Suzhou) Co., Ltd.</td><td>Director</td><td>BenQ Materials (L) Co. Representative:
Wei Chen
Ting-Yuan Chiang
Oliver Liu</td><td rowspan="3">-</td><td rowspan="3">100%</td></tr>
<tr><td>Supervisor</td><td>Shen-Hsing Wang</td></tr>
<tr><td>General manager</td><td>Wei Chen</td></tr>
<tr><td rowspan="3">BenQ Materials (Wuhu) Corp.</td><td>Director</td><td>BenQ Materials (L) Co. Representative:
Ting-Yuan Chiang
Chih-Ping Wang
Oliver Liu</td><td rowspan="3">-</td><td rowspan="3">100%</td></tr>
<tr><td>Supervisor</td><td>Shen-Hsing Wang</td></tr>
<tr><td>General manager</td><td>Ting-Yuan Chiang</td></tr>
<tr><td rowspan="3">BenQ Materials Medical (Suzhou) Co., Ltd.</td><td>Director</td><td>BenQ Materials (L) Co. Representative:
Ching-Chi Hsu
Ting-Yuan Chiang
Charles Liu</td><td rowspan="3">-</td><td rowspan="3">100%</td></tr>
<tr><td>Supervisor</td><td>Shen-Hsing Wang</td></tr>
<tr><td>General manager</td><td>Ching-Chi Hsu</td></tr>
<tr><td rowspan="2">Sigma Medical Supplies Corp.</td><td>Director</td><td>BenQ Materials Corporation Representative:
Zhien-Chi (Z.C.) Chen</td><td rowspan="2">2,000</td><td rowspan="2">100%</td></tr>
<tr><td>General manager</td><td>Zhien-Chi (Z.C.) Chen</td></tr>
<tr><td rowspan="3">Suzhou Sigma Medical Supply Co., Ltd.</td><td>Director</td><td>Sarah Lin
Chih-Ping Wang
Charles Liu</td><td rowspan="3">-</td><td rowspan="3">100%</td></tr>
<tr><td>Supervisor</td><td>Shen-Hsing Wang</td></tr>
<tr><td>General manager</td><td>Sarah Lin</td></tr>
<tr><td rowspan="2">Cenefom Corp.</td><td>Director</td><td>BenQ Materials Corporation Representative:
Zhien-Chi (Z.C.) Chen
Oliver Liu
Li-Chuan Chiu
Chen Wu</td><td rowspan="2">11,646</td><td rowspan="2">50.98%</td></tr>
<tr><td>Supervisor</td><td>Shen-Hsing Wang</td></tr>
<tr><td rowspan="3">Genejet Biotech Co., Ltd.</td><td>Director</td><td>BenQ Materials Corporation Representative:
Shen-Hsing Wang
Oliver Liu
Wei Chen</td><td rowspan="3">4,070</td><td rowspan="3">75.63%</td></tr>
<tr><td>Supervisor</td><td>Ching-Ning Huang</td></tr>
<tr><td>General manager</td><td>Shen-Hsing Wang</td></tr>
<tr><td rowspan="3">Web-Pro Corporation</td><td>Director</td><td>BenQ Materials Corporation Representative:
Zhien-Chi (Z.C.) Chen
Li-Chuan Chiu
Chao-Yi Yang
Sarah Lin</td><td rowspan="3">35,700</td><td rowspan="3">51.00%</td></tr>
<tr><td>Supervisor</td><td>Shen-Hsing Wang
Tian Yuan</td></tr>
<tr><td>General manager</td><td>Li-Chuan Chiu</td></tr>
</table>

(VI) Financial status and operating results of related companies

December 31, 2023 Unit: NT$ thousand

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Operating Income	Profit or loss for the period (After tax)	Earnings Per Share (NT$) (After tax)
BenQ Materials (L) Co.	499,790	2,369,529	643,220	1,726,310	2,251,089	511,181	(8,791)	-
BenQ Material Corporation	246,000	2,147,820	240,602	1,907,217	1,021,590	267,534	62,933	-
Daxon Technology (Suzhou) Co., Ltd	47,700	75,474	37,610	37,864	209,539	92,170	11,963	-
BenQ Material (Wuhu) Corporation	346,912	809,039	1,075,095	(266,056)	233,554	(65,114)	(84,788)	-
BenQ Materials Medical (Suzhou)	65,046	450,604	404,127	46,477	886,393	215,479	1,175	-
Sigma Medical Corporation	20,000	116,349	72,358	43,991	316,062	54,565	21,965	-
Suzhou Sigma Medical Supply	22,202	1,075	0	1,075	0	0	(1)	-
Cenefom Corporation	228,460	328,535	17,825	310,710	84,522	10,707	(17,770)	-
Genejet Biotech Co. Ltd	53,809	60,533	7,975	52,558	18,859	9,648	390	-
Web-Pro Co., Ltd.	700,000	3,534,341	380,999	3,153,342	2,119,733	534,824	234,992	-

(VII)Related companies consolidated financial statements：

Statement of Declaration

The Company’s 2023 (from January 1 to December 31, 2023) should be included in the preparation of financial statements of related Company consolidations in accordance with the “Relationship Business Combination Business Reports and Related Enterprise Consolidation Financial Statements and Relationship Report Preparation Guidelines” The Company is the same as the Company that should be included in the preparation of the consolidated financial statements of the parent and subsidiary companies according to the International Financial Reporting Standard No. 10 recognized by the Financial Supervisory Commission, and the related information of the consolidated financial statements of the related companies should be disclosed in the consolidated financial statements of the parent and subsidiary companies. All have been disclosed, and no longer prepare separate consolidated financial statements of related enterprises.

Sincerely,

Company Name: BenQ Materials Corp.

Chairman: Zhien-Chi (Z.C) Chen

Date: February 22, 2024

(VIII) Affiliated enterprise report: Not applicable

Other necessary supplement

(I) In the most recent year and as of the date of publication of the annual report, the handling of private equity securities: none.

(II) In the most recent year and up to the date of publication of the annual report, the situation of subsidiaries holding or disposing of the Company’s stock: None.

(III) Other necessary supplementary notes: None.

(IV) In the most recent year and up to the date of publication of the annual report, if there is an event that has a significant impact on shareholders’ equity or the price of securities specified in Item 2 Paragraph 3 of Article 36, of this law, it shall also be stated item by item: none.

Statement of Declaration

The Company's 2023 (from January 1 to December 31, 2023) should be included in the preparation of financial statements of related Company consolidations in accordance with the "Relationship Business Combination Business Reports and Related Enterprise Consolidation Financial Statements and Relationship Report Preparation Guidelines" The Company is the same as the Company that should be included in the preparation of the consolidated financial statements of the parent and subsidiary companies according to the International Financial Reporting Standard No. 10 recognized by the Financial Supervisory Commission, and the related information of the consolidated financial statements of the related companies should be disclosed in the consolidated financial statements of the parent and subsidiary companies. All have been disclosed, and no longer prepare separate consolidated financial statements of related enterprises.

Sincerely,

Company Name: BenQ Materials Corp.

Chairman: Zhien-Chi (Z.C) Chen

Date: February 22, 2024

Stock Code: 8215

BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements with Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022

Address: No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333403, Taiwan (R.O.C.)

Tel: (03)374 8800

Statement of Declaration

The entities that are required to be included in the Consolidated Financial Statements of BenQ Materials Corporation and subsidiaries as of and for the year ended December 31, 2023 under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the Consolidated Financial Statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed and issued into effect by the Financial Supervisory Commission. In addition, the information required to be disclosed in the Consolidated Financial Statements is included in the Consolidated Financial Statements. Consequently, BenQ Materials Corporation and subsidiaries do not prepare a separate set of Consolidated Financial Statements.

Hereby certify

Company Name: BenQ Materials Corporation

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

Date: February 22, 2024

Independent Auditor's Report

To: The Board of Directors of BenQ Materials Corporation,

Opinions on the audit

We have audited the Consolidated Balance Sheets of BenQ Materials Corporation and its subsidiaries (the BenQ Corporation) as of December 31, 2023 and 2022, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2023 and 2022.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of BenQ Materials Corporation and subsidiaries as of December 31, 2023 and 2022, and its consolidated financial performance and cash flows for the annual periods ended December 31, 2023 and 2022 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission.

Basis of opinions on the audit

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibility under those standards will be further described in the section titled "The Accountants' Responsibilities in Auditing the Consolidated Financial Statements." We have stayed independent from BenQ Materials Corporation as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 Consolidated Financial Statements of BenQ Materials Corporation and its subsidiaries. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The accountant's judgment should communicate the key audit matters on the audit report as follows:

1. Inventory Valuation

   For the accounting policies of inventories, please refer to Note 4 (8) of the Consolidated Financial Statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5 of the Consolidated Financial Statements; For the description of important accounting items in inventories, please refer to Note 6 (6) of the Consolidated Financial Statements.

   Description of Key Audit Matters:

   Inventories of BenQ Materials Corporation are mainly film sheet products. Inventory is measured by the lower of cost and NRV. As BenQ Materials Corporation's inventory is easily affected by the market demand of the products used and the yield rate of the production process, resulting in sluggish or falling prices, inventory evaluation is one of the important evaluation items for the accountants to perform the review of the Consolidated Financial Statements.

Our audit procedures performed in respect of the above area included the following:

The accountant's main audit procedures for the above key verification items include reviewing the inventory age report and analyzing the changes in the inventory age in each period; sampling and testing the inventory cost and net realizable value provided by BenQ Materials Corporation, as well as the inventory age report, reviewing the management and sales meeting to evaluate the situation of inventory depletion; evaluating whether the assessment of inventory has been handled in accordance with the accounting policies established by BenQ Materials Corporation; performing inventory retrospective testing to verify the rationality of the provision of bad debt losses.

2. Business mergers

For the accounting policies of business mergers, please refer to Note 4 (21) of the Consolidated Financial Statements; For the description of important accounting items in business mergers, please refer to Note 6 (9) of the Consolidated Financial Statements.

Description of Key Audit Matters:

On January 3, 2023 (the merger date), the BenQ Materials Group acquired a 51% equity stake in Web-Pro Co., Ltd. (hereinafter referred to as Web-Pro) from its shareholders for a total amount of NT$3,161,999 thousand. This transaction conferred control over Web-Pro to the BenQ Materials Group. In accordance with the accounting treatment for business mergers, the management must determine the fair value of the identifiable assets acquired and the liabilities assumed. This process involves various assumptions and estimates and is complex. Therefore, the business merger in this period represents one of the important evaluation items for the auditors to consider when performing the audit of the BenQ Materials Group's Consolidated Financial Statements.

Our audit procedures performed in respect of the above area included the following:

The accountant's main audit procedures for the above key verification items include reviewing the equity purchase agreement signed by both parties to understand the scope of the acquisition and the agreed purchase price; verifying the payment of the transaction price has been duly paid by examining the bank statements; obtaining reports on the fair value assessment of the properties and intangible assets, as well as the allocation of the purchase price, which were conducted by external experts and were commissioned by the management; assessing the reasonableness of the assets and liabilities identified by the management on the merger date and their valuation; engaging external experts to review the fair value valuation report of the properties and assess the reasonableness of the valuation approaches, relevant parameters, and price determination rationale adopted in the report; engaging the firm's valuation specialists to assess the reasonableness of the valuation approaches and significant assumptions adopted in the fair value assessment of intangible assets; Additionally, the auditor evaluated the accuracy of the accounting entries made by the BenQ Materials Group and ensured proper disclosure of relevant information regarding the acquisition.

Other Matters

BenQ Materials Corporation has also compiled Individual Financial Statements for 2023 and 2022, and they have also received an unqualified audit opinion from our CPA for your reference.

The Management's Responsibility and Governing Body of the Consolidated Financial Statements

It is the management's responsibility to fairly present the Consolidated Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission, and to maintain internal controls which are necessary for the preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing for the Consolidated Financial Statement, responsibilities of the management also included assessment of the capacity to continue operation, disclosure of related matters, and the accounting approaches to be adopted when the Company continues to operate unless the management intends to liquidate or suspend the business of BenQ Materials Corporation if there was not any other option except liquidation or suspension of the Company's business.

The governing bodies of BenQ Materials Corporation and its subsidiaries (including the Audit Committee or the supervisors) have the responsibility to oversee the process by which the financial statements are prepared.

The Accountants' Responsibilities in Auditing the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the Consolidated Financial Statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. "Reasonable assurance" refers to high level of assurance. Nevertheless, our audit, which was carried out in accordance with the generally accepted auditing standards, does not guarantee that a material misstatement(s) will be detected in the Consolidated Financial Statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

We have utilized our professional judgment and maintained professional skepticism when performing auditing work in accordance with the generally accepted auditing standards. We also:

1. Identified and evaluated the risk of a material misstatement(s) due to fraud or errors in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit report. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of BenQ Materials Corporation.

3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.

4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of BenQ Materials Corporation to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause BenQ Materials Corporation to cease to continue as a going concern.

5. Evaluated the overall presentation, structure, and content of the Consolidated Financial Statements (including the related notes), and determined whether the Consolidated Financial Statements present related transactions and events fairly.

Acquired sufficient and appropriate audit evidence regarding financial information of entities within the Group in order to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion on BenQ Materials Corporation.

We communicate with those charged with governing body regarding, among other matters, the planned scope and timing of the audit and material audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided governing bodies with a declaration that we had complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that might possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determined the key audit matters of the Consolidated Financial Statements of BenQ Materials Corporation of 2023. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

KPMG Taiwan

CPA:

Approved audit number ： FSC (6) No. 0940100754

FSC (audited) No. 1060005191

February 22, 2024

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

Unit: NT$ thousand

		2023.12.31		2022.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 619,690	3	653,134	5
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	65,296	-	17,316	-
1120	Financial assets at fair value through other comprehensive income - current (Note 6 (3))	63,840	-	54,549	-
1170	Notes and accounts receivable, net amount (Note 6 (4) and (23))	2,201,073	11	2,156,403	16
1180	Notes and accounts receivable - related parties net amount (Note 6 (4), (23) and 7)	930,453	5	853,146	6
1200	Other receivables (Note 6 (4), (5) and 7)	80,207	-	141,119	1
1210	Other receivables - related parties (Note 6 (5) and 7)	54	-	10	-
1310	Inventories, net amount (Note 6 (6))	3,391,895	16	2,719,984	20
1479	Other current assets	291,301	2	209,242	2
1476	Other financial assets - current (Note 8)	766,092	4	52,052	-
	Total current assets	8,409,901	41	6,856,955	50
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (3))	96,007	1	96,504	1
1550	Investments accounted for using equity method (Note 6 (8))	465,829	2	480,749	4
1600	Property, plant, and equipment (Note 6 (11), 7, and 8)	10,107,104	49	5,064,453	37
1755	Right-of-use asset (Note 6 (12))	774,207	4	569,198	4
1760	Net investment property (Note 6 (13))	147,051	1	161,272	1
1780	Intangible assets (Note 6 (9), (14) and 7)	200,380	1	141,383	1
1840	Deferred tax assets (Note 6 (20))	268,075	1	262,820	2
1920	Guarantee deposits paid	16,367	-	26,268	-
1980	Other financial assets - non-current (Note 8)	9,252	-	-	-
1995	Other non-current assets (Note 6 (19))	63,605	-	44,966	-
	Total non-current assets	12,147,877	59	6,847,613	50
	Total assets	**$ 20,557,778**	**100**	**13,704,568**	**100**

(See the attached notes to Consolidated Financial Statements)

Chairman:	**General Manager:**	**Accounting Manager:**
Zhien-Chi (Z.C.) Chen	**Ray, Liu**	**James, Wang**

BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

December 31, 2023 and 2022

Unit: NT$ thousand

		2023.12.31		2022.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6 (15))	$ 1,490,000	7	1,051,460	8
2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))	-	-	1,800	-
2170	Accounts payable	2,766,212	14	2,541,222	19
2180	Accounts payable - related parties (Note 7)	54,473	-	34,905	-
2200	Other payables (Note 6 (24))	1,503,471	7	1,527,559	11
2220	Other payables - related parties (Note 7)	29,787	-	20,098	-
2320	Long-term borrowings due within one year (Note 6 (16) and 8)	381,943	2	181,486	1
2281	Lease liabilities - current (Note 6 (17))	11,218	-	7,787	-
2282	Lease liabilities - related parties - current (Note 6 (17) and 7)	93,401	1	91,746	1
2399	Other current liabilities (Note 6 (23))	183,486	1	170,683	1
	Total current liabilities	6,513,991	32	5,628,746	41
	Non-current liabilities:				
2540	Long-term borrowings (Note 6 (16) and 8)	4,416,898	22	1,084,002	8
2570	Deferred tax liabilities (Note 6 (20))	496,575	2	268,184	2
2581	Lease liabilities - non-current (Note 6 (17))	40,419	-	44,595	-
2582	Lease liabilities - related parties — non-current (Note 6 (17) and 7)	289,379	1	382,780	3
2600	Other non-current liabilities (Note 6 (16) and (19))	44,463	-	45,616	-
	Total non-current liabilities	5,287,734	25	1,825,177	13
	Total liabilities	11,801,725	57	7,453,923	54
	Equity (Note 6 (8), (9), and (21)):				
3110	Common stock	3,206,745	16	3,206,745	23
3200	Capital reserve	192,352	1	192,352	2
	Retained earnings:				
3310	Legal reserve	540,821	3	414,305	3
3320	Special reserve	68,835	-	103,309	1
3350	Undistributed earnings	1,880,161	9	2,200,624	16
3400	Other equity	(92,684)	(1)	(68,835)	(1)
	Total equity attributable to the owners of parent company	5,796,230	28	6,048,500	44
36XX	Non-controlling interests (Note 6 (9), (10), and 6 (21))	2,959,823	15	202,145	2
	Total equity	8,756,053	43	6,250,645	46
	Total liabilities and equity	$ 20,557,778	100	13,704,568	100

(See the attached notes to Consolidated Financial Statements)

Chairman:	General Manager:	Accounting Manager:
Zhien-Chi (Z.C.) Chen	Ray, Liu	James, Wang

BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

From January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

		2023		2022	
		Amount	%	Amount	%
4000	**Net sales revenue (Notes 6 (18), (23), 7, and 14]**	$ 17,127,523	100	15,540,465	100
5000	**Operating costs (Notes 6 (6), (11), (12), (13), (14), (17), (18), (19), (24), 7, and 12)**	(13,944,978)	(81)	(12,462,094)	(80)
	Gross operating profit	3,182,545	19	3,078,371	20
	Operating expenses (Note 6 (4), (11), (12), (14), (17), (18), (19), (24), 7, and 12)				
6100	Selling expenses	(1,310,999)	(8)	(1,173,756)	(8)
6200	General and administrative expenses	(340,815)	(2)	(321,091)	(2)
6300	Research and development expenses	(939,026)	(6)	(886,717)	(6)
		(2,590,840)	(16)	(2,381,564)	(16)
	Net Operating Income	591,705	3	696,807	4
	Non-operating income and expenses (Note 6 (7), (8), (16), (17), (25), and 7)				
7100	Interest revenue	30,298	-	3,615	-
7010	Other revenue	70,572	1	21,552	-
7020	Other gains and losses	12,604	-	974,672	6
7050	Financial costs	(122,163)	(1)	(51,570)	-
7370	Shares of profits of associates accounted for using the equity method	47,693	1	110,101	1
		39,004	1	1,058,370	7
	Income before income tax	630,709	4	1,755,177	11
7950	**Less: Income tax expense (Note 6 (20))**	(126,918)	(1)	(470,436)	(3)
	Net profit for the period	503,791	3	1,284,741	8
	Other comprehensive income (loss):				
8310	**Items that will not be reclassified to profit or loss (Notes 6 (19) and (21))**				
8311	Remeasurement of defined benefit plans	6,029	-	(5,278)	-
8316	Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	8,794	-	(5,895)	-
8349	Income tax related to items that will not be reclassified	-	-	-	-
		14,823	-	(11,173)	-
8360	**Items that may be reclassified subsequently to profit or loss (Notes 6 (8) and (21))**				
8361	Exchange differences arising on translation of financial statements of foreign operations	(29,643)	-	24,476	-
8370	Share of other comprehensive income of associates accounted for using the equity method	(11,278)	-	21,171	-
8399	Income tax related to items that may be reclassified	-	-	-	-
		(40,921)	-	45,647	-
	Other comprehensive income (loss) for the year	(26,098)	-	34,474	-
8500	**Total comprehensive income (loss) for the year**	$ 477,693	3	1,319,215	8
	Net profit for the period attributable to:				
8610	Owners of the parent company	$ 414,352	2	1,295,670	8
8620	Non-controlling interests	89,439	1	(10,929)	-
		$ 503,791	3	1,284,741	8
	Total comprehensive income attributable to:				
8710	Owners of the parent company	$ 390,503	2	1,330,144	8
8720	Non-controlling interests	87,190	1	(10,929)	-
		$ 477,693	3	1,319,215	8
	Earnings per share (Unit: NT$) (Note 6 (22))				
9750	**Basic earnings per share**	$ 1.29		4.04	
9850	**Diluted earnings per share**	$ 1.28		3.97	

(See the attached notes to Consolidated Financial Statements)

Chairman: Zhien-Chi (Z.C.) Chen **General Manager: Ray, Liu** **Accounting Manager: James, Wang**

BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

From January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

	Profit and/or loss attributable to the owners of parent company												
			Retained earnings				Other equity items						
	Common stock	Capital reserve	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences arising on translation of financial statements of foreign operations	Unrealized profits and losses of financial assets at fair value through other comprehensive income	Remeasurement of defined benefit plans	Total	Total equity attributable to the owners of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2022	$ 3,206,745	5,808	317,262	83,534	1,533,290	1,934,086	(51,470)	(22,910)	(28,929)	(103,309)	5,043,330	113,273	5,156,603
Appropriation and distribution of retained earnings:													
Account for legal reserve	-	-	97,043	-	(97,043)	-	-	-	-	-	-	-	-
Account for special reserve	-	-	-	19,775	(19,775)	-	-	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(481,012)	(481,012)	-	-	-	-	(481,012)	-	(481,012)
Change in capital surplus from investments in associates under equity method	-	186,544	-	-	-	-	-	-	-	-	186,544	-	186,544
Acquisition of partial equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,750)	(5,750)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	75,045	75,045
Difference between prices of shares acquired from subsidiaries and book value	-	-	-	-	(30,506)	(30,506)	-	-	-	-	(30,506)	30,506	-
Net profit for the period	-	-	-	-	1,295,670	1,295,670	-	-	-	-	1,295,670	(10,929)	1,284,741
Other comprehensive income (loss) for the year	-	-	-	-	-	-	45,647	(5,895)	(5,278)	34,474	34,474	-	34,474
Total comprehensive income (loss) for the year	-	-	-	-	1,295,670	1,295,670	45,647	(5,895)	(5,278)	34,474	1,330,144	(10,929)	1,319,215
Balance as of December 31, 2022	3,206,745	192,352	414,305	103,309	2,200,624	2,718,238	(5,823)	(28,805)	(34,207)	(68,835)	6,048,500	202,145	6,250,645
Appropriation and distribution of retained earnings:													
Account for legal reserve	-	-	126,516	-	(126,516)	-	-	-	-	-	-	-	-
Convert for special reserve	-	-	-	(34,474)	34,474	-	-	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(641,349)	(641,349)	-	-	-	-	(641,349)	-	(641,349)
Changes in ownership interests in subsidiaries	-	-	-	-	(301)	(301)	-	-	-	-	(301)	301	-
Difference between prices of shares acquired from subsidiaries and book value	-	-	-	-	(1,123)	(1,123)	-	-	-	-	(1,123)	1,123	-
Acquisition of partial equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(4,544)	(4,544)
Capital contribution by non-controlling interest shareholders	-	-	-	-	-	-	-	-	-	-	-	2,016	2,016
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	3,014,592	3,014,592
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(343,000)	(343,000)
Net profit for the period	-	-	-	-	414,352	414,352	-	-	-	-	414,352	89,439	503,791
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(38,672)	8,794	6,029	(23,849)	(23,849)	(2,249)	(26,098)
Total comprehensive income (loss) for the year	-	-	-	-	414,352	414,352	(38,672)	8,794	6,029	(23,849)	390,503	87,190	477,693
Balance as of December 31, 2023	**$ 3,206,745**	**192,352**	**540,821**	**68,835**	**1,880,161**	**2,489,817**	**(44,495)**	**(20,011)**	**(28,178)**	**(92,684)**	**5,796,230**	**2,959,823**	**8,756,053**

(See the attached notes to Consolidated Financial Statements)

Chairman: Zhien-Chi (Z.C.) Chen **General Manager: Ray, Liu** **Accounting Manager: James, Wang**

BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

From January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

	2023	2022
Cash flows from operating activities:		
Income before income tax for the year	$ 630,709	1,755,177
Adjusted items:		
Depreciation expenses	888,897	614,525
Amortization expenses	57,345	56,643
Expected credit losses (reverse benefits)	(13,632)	14,128
Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss	(49,780)	(18,969)
Interest expenses	122,163	51,570
Interest revenue	(30,298)	(3,615)
Dividend revenue	(3,024)	(1,680)
Shares of profits of associates accounted for using the equity method	(47,693)	(110,101)
Loss (profits) from disposal of property, plant, and equipment	(723)	12,513
Disposal of non-current assets held for sale profits	-	(893,148)
Disposal of investments profits	-	(64,099)
Amortization of deferred expenses transferred to expenses	183,309	152,024
Amortization of syndication fee costs	1,712	3,773
Total adjustments to reconcile profit (loss)	1,108,276	(186,436)
Changes in operating assets/liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	243,300	83,518
Accounts receivable - related parties	(20,563)	(198,894)
Other receivables	5,299	(2,413)
Other receivables - related parties	(44)	10
Inventories	(409,206)	87,884
Other current assets	(157,372)	(53,582)
Other non-current assets	(67)	(19)
Total net changes in operating assets	(338,653)	(83,496)
Net changes in operating liabilities:		
Accounts payable	144,789	(599,963)
Accounts payable - related parties	19,568	(13,531)
Other payables	(216,265)	(11,571)
Other payables - related parties	(6,012)	(4,010)
Other current liabilities	10,219	41,580
Net defined benefit liabilities	(1,736)	(1,966)
Other non-current liabilities	(223)	-
Total net changes in related operating liabilities	(49,660)	(589,461)
Total net changes in operating assets and liabilities	(388,313)	(672,957)
Total adjustments	719,963	(859,393)
Cash inflow generated from operations	1,350,672	895,784
Interests received	30,298	3,615
Interests paid	(120,554)	(49,923)
Income tax paid	(166,229)	(460,212)
Net cash inflow from operating activities	1,094,187	389,264

(Continued)

(See the attached notes to Consolidated Financial Statements)

Chairman:	**General Manager:**	**Accounting Manager:**
Zhien-Chi (Z.C.) Chen	**Ray, Liu**	**James, Wang**

BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

From January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

	2023	2022
Cash flows from investing activities:		
Acquisition of Financial assets at fair value through other comprehensive income	$ -	(92,271)
Disposal of investment using the equity method	-	83,749
Net cash inflows from merger of subsidiaries	(1,781,038)	-
Disposal of non-current assets held for sale profits	-	1,271,725
Acquisition of property, plant, and equipment	(1,501,156)	(1,187,721)
Disposal of property, plant, and equipment	723	615
Decrease in guarantee deposits paid	17,287	2,706
Acquisition of intangible assets	(52,244)	(29,008)
(Increase) decrease in other financial assets	(714,040)	35,032
Increase in other non-current assets	(46,882)	(43,365)
Dividends received	54,359	41,015
Net cash inflow (outflow) from investing activities	(4,022,991)	82,477
Cash flows from financing activities:		
Increase in short-term borrowings	438,540	464,611
Proceeds from long-term borrowings	5,986,200	360,350
Repayments of long-term borrowings	(2,444,480)	(403,364)
Decrease in guarantee deposits received	(2,173)	(12,989)
Repayments of lease principal	(103,645)	(99,874)
Purchase of subsidiaries' equity from non-controlling interests	(4,544)	(5,750)
Issuance of cash dividends	(641,349)	(481,012)
Cash capital increase of subsidiary by non-controlling interest shareholders	2,016	75,045
Cash dividends issued by subsidiaries to non-controlling interests	(343,000)	-
Net cash inflow (outflow) from financing activities	2,887,565	(102,983)
Effect of changes in exchange rates	7,795	6,249
Increase (decrease) in cash and cash equivalents for the year	(33,444)	375,007
Cash and cash equivalents at the beginning of the year	653,134	278,127
Cash and cash equivalents at the end of the year	**$ 619,690**	**653,134**

(See the attached notes to Consolidated Financial Statements)

Chairman:	General Manager:	Accounting Manager:
Zhien-Chi (Z.C.) Chen	Ray, Liu	James, Wang

1. Company History

BenQ Materials Corporation (hereinafter referred to as "the Company," formerly known as Daxon Technology Inc. and had renamed in June 2010) 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 February 22, 2024.

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

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

The Combined Company has been applied to the application of the newly recognized IFRSs specified above will not have a material impact on the Consolidated Financial Statements since January 1, 2023.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction"

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 May 23, 2023.

- Amendments to IAS 12 "International Tax Reform Pillar Two Model Rules"

b. Impacts of IFRS Endorsed by FSC but yet to come into effect

The Combined Company evaluates that the application of the following newly endorsed IFRSs amended since January 1, 2024, will not have a material impact on the Consolidated Financial Statements.

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"
- Amendments to IAS 1 "Non-Current Liabilities with Covenants"
- Amendments to IAS 7 and IFRs 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

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

The Combined Company expects that the following newly issued and revised standards that have not yet been approved by the FSC will not have a material 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”
- Amendment to IAS 21 “Lack of Exchangeability”

4. Summary of Material Accounting Policies

The summary of the significant accounting policies used in this Consolidated Financial Statements are described below. The following accounting policies have been consistently applied to all periods of the financial statements.

a. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

b. Basis of preparation

1) Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following significant accounts:

a) Financial instruments (including derivative financial instruments) measured at fair value through profit and loss;

b) Financial assets at fair value through other comprehensive income; and

c) Net defined benefit liabilities (or assets) are measured by determining the present value of the benefit obligation, the net amount after deducting the fair value of pension assets, and the upper limit of the number of influences mentioned in Note 4 (19).

2) Functional Currency and Presentation Currency

Every individual entity of the Combined Company takes the currency of the economic environment its operation domiciles are in as the functional currency. The Consolidated Financial Statements were expressed in New Taiwan Dollars, the Company’s functional currency. The unit for all amounts expressed are in thousands of NTD unless otherwise stated.

c. Basis of consolidation

1) Principle of preparation of the Consolidated Financial Statements

The preparation of the Consolidated Financial Statements includes the Company and entities controlled by the Company (i.e., subsidiaries). The Company controls an individual entity when it is exposed to, or has rights to, variable remuneration from its participation in that individual and can influence that remuneration through its power over that individual.

From the date of attaining control over the subsidiary, its financial statements shall be included in the Consolidated Financial Statements until the date of losing control. The transactions, balances and, any unrealized income and expenses between the Combined Company have been eliminated in full at the time of preparing the Consolidated Financial Statements. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the Combined Company.

When a change in the Combined Company's ownership interests in a subsidiary does not cause a loss of control over the subsidiary, it shall be treated as an equity transaction. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

2) List of subsidiaries in the Consolidated Financial Statements

Investment company name	Subsidiary name	Business type	Proportion of Ownership (%) 2023.12.31	2022.12.31	Explanation
The Company	BenQ Materials (L) Co. (BMLB)	Holding company	100.00	100.00	-
The Company	Sigma Medical Supplies Corp. (Sigma-Medical)	Sales of medical equipment	100.00	100.00	-
The Company	Genejet Biotech Co., Ltd. (Genejet)	Medical materials and equipment development, manufacturing and sale	75.63	70.00	-
The Company	Cenefom Corp. (Cenefom)	Medical materials and equipment development, manufacturing and sale	50.98	51.34	-
The Company	Web-Pro Co., Ltd. (Web-Pro)	Healthcare materials and equipment development, manufacturing and sale	51.00	-	Note 1.
BMLB	BenQ Materials Co., Ltd. (BMS)	Processing of film sheet products	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	-
BMLB	BenQ Materials (Wuhu) Corp. (BMW)	Manufacture and sales of film sheet and cosmetic-related products	100.00	100.00	-
BMLB	BenQ Materials Medical (Suzhou) Co., Ltd. (BMM)	Medical materials and equipment manufacturing and sale	100.00	100.00	-
Sigma-Medical	Suzhou Sigma-Medical Supply Co., Ltd. (Suzhou Sigma-Medical)	Sales of medical equipment	100.00	100.00	-
Web-Pro	Beyond Top Pte Ltd (WPSG)	Holding company	51.00	-	Note 1.
WPSG	Web-Pro (Vietnam) Co.,Ltd (WPVN)	Healthcare materials and equipment manufacturing and sale	51.00	-	Note 1.

Note1: On January 3, 2023, the Combined Company acquired control of Web-Pro, and together with its subsidiaries, they became a subsidiary of the Combined Company. Therefore, it was consolidated into the consolidated entity from that date.

3) List of subsidiaries which are excluded in the Consolidated Financial Statements: None.

d. Foreign Currency

1) Foreign currency transactions

Transactions in foreign currency are translated into the functional currency at exchange rates prevailing at the transaction dates. The foreign currency items at the terminal date of report (hereinafter referred to as reporting date) are translated into functional currency according to the exchange rate of the date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing at the date when the fair value was determined. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are retranslated using the exchange rates prevailing at the transaction dates.

Foreign currency exchange differences arising from conversion are generally recognized in profit or loss, but equity instruments designated as fair value through other comprehensive income are recognized in other comprehensive income.

2) Foreign operating agency

The assets and liabilities of foreign operation, including the business reputation and fair value adjustment are translated into functional currency according to the exchange rate on the reporting date; the income and expense items are converted into the expression currency of this consolidated financial statement based on the average exchange rate of the current period. And the exchange difference amount will be recognized as other comprehensive incomes.

Upon disposal of a foreign operating organization results in loss of control or significant influence, the accumulated exchange differences related to the foreign operating organization are fully reclassified as profit or loss. When partially disposing of subsidiaries containing foreign operation, the cumulative exchange difference amount will be re-attached to non-controlling equity according to proportion. When partially disposing of affiliated enterprises or joint investments containing foreign operation, the cumulative exchange difference amount will be re-classified into profit or loss according to proportion.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the related foreign exchange gains and losses are a part of net investment in that foreign operation and thereon are recognized as other comprehensive income.

e. Assets and liabilities classified as current and non-current

The Company shall classify a liability as current, and shall classify all other assets as non-current when:

1) It is expected to be realized when the Combined Company is operating, or intended to be sold or consumed in the normal operating cycle;

2) Assets are held primarily for trading purposes;

3) It is expected to be realized within twelve months after the reporting period; or

4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company shall classify a liability as current, and shall classify all other assets as non-current when:

1) It is expected to be settled in the normal operating cycle;
2) Liabilities held primarily for trading purposes;
3) The liability is expected to be realized within twelve months after the reporting period; or
4) Liabilities that do not have the right to unconditionally defer the repayment period to at least twelve months after the reporting period. The liabilities provisions may be settled by issuing equity instruments at the option of the counterparty, and will not impact its classification.

f. Cash and Cash Equivalents

Cash includes cash on hand, check deposits and demand deposits. Cash equivalents refer to the short-term and highly liquidity investment that can be converted into quota cash at any time with little risk of value change. Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition, and the purpose of holding is to meet the short-term cash commitments rather than investment or other purposes.

g. Financial Instruments

The accounts receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were originally recognized when the Combined Company became a party to the contractual terms of financial instruments. Financial assets that are not measured at fair value through profit or loss (other than accounts receivable that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. The accounts receivable that do not contain a significant financing component are measured at transaction prices.

1) Financial assets

At the time of initial recognition, financial assets are classified into: Financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive gains and losses, and financial assets measured at fair value through profit or loss. When purchasing or selling financial assets according to transaction practice, accounting treatment on the transaction date is adopted.

The Combined Company shall reclassify all the affected financial assets from the first day of the next reporting period only when changing the business model for managing financial assets.

a) Financial assets measured at amortized cost

When financial assets meet the following conditions and not designated at fair value through profit or loss, they are measured at amortized cost:

- The financial assets are held under the operation mode with the purpose of collecting contract cash flow.
- The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal in circulation.

After the initial recognition of these assets, the effective interest rate method is adopted to measure the amortized cost minus the impairment loss. Interest income, foreign exchange profit or loss, and impairment loss are recognized in profit and loss. When derecognition, gain or loss is recognized in profit and loss.

b) Financial assets at fair value through other comprehensive income

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal in circulation.

The Combined Company may, at initial recognition, make an irrevocable choice to report subsequent changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income. This election is made on an instrument-by-instrument basis.

Investors who are debt instruments are subsequently measured at fair value. Interest income, foreign currency exchange gains and losses and impairment losses calculated according to the effective interest method are recognized in profit and loss, and the remaining net gains or losses are recognized as other comprehensive gains and losses. At the time of derecognition, the accumulated other comprehensive income under equity is reclassified to profit or loss.

Equity instrument investors shall be measured at fair value subsequently. Dividend income (unless it clearly represents the recovery of part of the investment cost) is recognized in profit and loss. The remaining net profits or losses are recognized as other comprehensive income. At the time of derecognition, other comprehensive income accumulated under equity are reclassified to retained earnings instead of to profits or losses.

The dividend income of equity investment shall be recognized on the date when the Combined Company is entitled to receive dividends (usually the ex-dividend date).

c) Financial assets at fair value through profit or loss

Financial assets other than the aforementioned financial assets measured at amortized cost or financial assets at fair value through other comprehensive gains and losses are measured at fair value through profit and loss, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and net profits and losses (including dividend and interest incomes) originated from remeasurement are recognized in profit or loss.

d) Evaluate whether the contractual cash flow is entirely the interest of the payment of the principal and the amount of principal in circulation

According to the purpose of the evaluation, the principal is the fair value of the financial asset upon initial recognition and the interest is comprised of the following considerations: time value of money, credit risk associated with outstanding principal amounts in the period, other basic lending risks and costs, and profit margins.

When evaluating whether the contractual cash flows consist entirely of payments of the principal and interest on the principal amount outstanding, the Combined Company considers the contractual terms of financial instruments including evaluations on whether financial assets include a provision in the contract that changes the timing or amount of the contractual cash flows in a way that would cause it not to meet this condition. When evaluating, the Combined Company considers the following:

- Any contingency that changes the timing or amount of the contractual cash flows.
- Terms that may adjust the coupon rate of the contract including the characteristics of floating interest rates.
- Attributes of prepayments and deferrals; and
- The Combined Company’s claim is limited to the terms of the cash flows from specific asset (e.g., non-recourse terms).

e) Impairment of financial assets

The Combined Company recognizes an allowance loss for expected credit losses of financial assets (including cash and cash equivalents, notes and accounts receivable, other receivables, deposits, and other financial assets, etc.) measured at amortized cost.

The loss allowance of the following financial assets is measured based on the expected credit losses amount within twelve months, and the remaining are measured based on the lifetime expected credit loss amount:

- The credit risk of bank deposits (that is, the risk of default during the expected lifetime of financial instruments) has not increased significantly since initial recognition.

The allowance loss for accounts receivable is measured by the amount of expected credit loss during the duration.

Lifetime expected credit loss refers to the expected credit loss out of all possible defaults during the expected survival period of financial instruments

Twelve-month expected credit loss refers to the expected credit loss (or a shorter period, if the expected duration of the financial instrument is shorter than twelve months) incurred by a financial instrument that may default within twelve months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Combined Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Combined Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Group' s historical experience, credit assessment, as well as forward-looking information.

Expected credit loss refers to the weighted estimate of credit loss probability during the expected survival period of financial instruments. The credit loss is measured by the present value of all cash shortfall, namely the difference between the cash flow that the Combined Company can collect according to the contract and the expected cash flow that the Combined Company will receive. Expected credit loss is discounted at the effective interest rate of financial assets.

The loss allowance of financial assets measured through amortized cost is deducted from the carrying amount of assets.

When the Combined Company fails to carry out a reasonable expectation of recovery of financial assets in part or whole, the total carrying amount of the financial assets directly decreases. The Combined Company analyzes the timing and the amount written off individually on the basis of whether it can reasonably be expected to be recovered. The Combined Company expects that the amount written off will not be materially reversed. However, the financial assets written off can still be enforced to comply with the procedures for the Combined Company to recover the overdue amount. In light of the merged company's experience, any overdue amounts will become unrecoverable after a period of ninety days.

f) Derecognition of financial assets

The Combined Company only terminates the contractual rights from the cash flow of the asset, or the financial asset has been transferred and almost all the risks and rewards of the ownership of the asset have been transferred to other companies, or almost no ownership has been transferred or retained. When all risks and rewards are not kept under the control of the financial assets, the financial assets are derecognized.

When the Combined Company signs a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

Debt and equity instruments issued by the Combined Company are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument refers to any contract that recognizes the remaining equity after deducting all liabilities from the assets of the Combined Company. The equity instrument issued by the Combined Company shall be recognized by the payment net of the direct cost of issuance.

b) Financial liabilities

Financial liabilities are classified as amortized costs or the fair value measurement through profit or loss. Financial liabilities, if held for trading, derivatives or designated at the time of initial recognition, are classified as the fair value measurement through profit or loss. Financial liabilities measured at fair value through profit and loss are measured at fair value, and related net profits and losses, including any interest expenses, are recognized in profit and loss.

Financial liabilities measured at amortized cost are subsequently measured at the amortized cost using the effective interest method. Interest income and foreign currency profit or loss are recognized as profit or loss. Any profit or loss at the time of derecognize is also recognized in profit and loss.

c) Derecognition of financial liabilities

The Combined Company derecognizes financial liabilities when the contractual obligations have been fulfilled, canceled or matured. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the revised liabilities, the original financial liabilities will be derecognized and new financial liabilities will be recognized at fair value based on the revised terms.

When derecognizing financial liabilities, the difference between the carrying amount of a financial liability and the consideration paid (including all transferred non-cash assets or liabilities) is recognized in non-operating income and expenses.

d) Offsetting of financial assets and financial liabilities

The Combined Company presents financial assets and liabilities on a net basis when the Combined Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3) Derivative financial instruments

The Combined Company holds derivative financial instruments to avoid risks of foreign currency and interest rates. The original recognition of derivatives is measured at fair value, and transaction costs are recognized as profit or loss; subsequent measurement is based on fair value, and the profits or losses arising from remeasurement are directly included in profit or loss. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

h. Inventory

Inventory is measured by the lower of cost and NRV. Cost includes cost and other costs for acquisition, manufacturing or processing to reach the usable place and status, and is calculated through weighted averaging. Among them, fixed manufacturing expenses are allocated to finished products and work-in-progress according to the normal production capacity or actual output of the production equipment, whichever is higher, and variable manufacturing expenses are allocated based on the actual output. The NRV is the expected selling price in the ordinary course of business, less the estimated cost of construction completion and the estimated costs necessary to make the sale.

i. Non-current assets held for sale

Non-current assets or disposal groups consisting of assets and liabilities are classified as held for sale when it is highly probable that their carrying amount will be recovered through sale rather than through continuing use. Assets or components of disposal groups are remeasured in accordance with the accounting policies of the Combined Company between the original classification and the time of sale. After classification as held for sale, it is measured at the lower of its carrying amount or fair value less costs to sell. Any impairment loss on disposal groups is first allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that such loss is not allocated to assets not within the scope of IAS 36, Impairment of Assets, which continue to be measured in accordance with the accounting policies of the Combined Company. Gains and losses arising from the recognition of impairment losses and subsequent remeasurement of items originally classified as held for sale are recognized in profit or loss, provided that the reversal of such gains and losses does not exceed the cumulative impairment losses recognized.

Intangible assets and property, plant and equipment are no longer depreciated or amortized when they are classified as held for sale. In addition, the equity method is discontinued when the investment recognized using the equity method is classified as held for sale.

j. Investment in the associates

Affiliated companies refer to those for which the Combined Company has material influence upon their financial and operation policies but without controlling or joint controlling.

The Combined Company adopts the equity method for handling the equity of affiliated companies. Under the equity method, the initial acquisition is recognized according to the cost, and the investment cost includes the transaction cost. The carrying amount of invested associates includes the goodwill recognized at the time of initial investment less any accumulative impairment loss. To assess impairment, the Combined Company has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts. The cost of impairment identified is to be deemed as part of the carrying amount of the investment. Any reversal of impairment loss shall be recognized within the scope of subsequent increase in the recoverable amount of the investment.

From the date of significant impact to the date of losing significant impact, the Combined Company shall, after making adjustments for consistency with the Combined Company’s accounting policies, recognizes the amount of profit and loss and other comprehensive income of each investment related company based on the proportion of equity. When the equity of affiliated companies changes, not including profit and loss and other comprehensive income, and do not affect the shareholding ratio of the Combined Company, the Combined Company shall recognize all the equity changes as capital surplus according to the shareholding ratio.

Unrealized profits resulting from the transaction between the Combined Company and the affiliated companies shall be recognized in the financial statements only within the scope of the interests of non-related party investors in the affiliated companies.

When the loss share of affiliated companies to be recognized by the Combined Company is equal to or over its equity in them, the recognition of the loss is suspended, and only in the case of legal obligations, constructive obligations or within the scope of making payment for the invested company, additional loss or relevant liability will be recognized.

When an affiliated company issues new shares, if the Combined Company does not subscribe according to the shareholding ratio, which causes the shareholding ratio to change, and thus the net equity value of the investment increases or decreases, the increase or decrease is adjusted to the capital reserve and the investment using the equity method; if this adjustment is to reduce the capital reserve, but the balance of the capital reserve generated by the investment using the equity method is insufficient, the difference will be debited to the retained surplus. However, if the Combined Company does not subscribe in proportion to the shareholding ratio, which reduces its ownership and interest in the affiliated company, the amount previously recognized in other comprehensive income related to the related company is reclassified according to the reduction ratio, and the basis of accounting treatment is the same as the basis that the related company must follow if the related company directly disposes of the related assets or liabilities.

k. Investment properties

Investment property is real estate held for rent or assets appreciation or both. Investment property is initially measured by cost and subsequently measured by cost minus accumulated depreciation and accumulated impairment. Its depreciation method, service life, and residual value are treated following the provisions of property, plant, and equipment. Cost includes the expenses that can be directly attributable to the acquisition of investment property and any directly attributable costs and borrowing capitalization costs to bring the investment property to a usable state.

The profit or loss from the disposal of investment property (calculated as the difference between the net disposal price and the book value of the item) is recognized in the profit and loss.

Rental income from investment property is recognized on a straight-line basis during the lease term. The lease incentive is recognized as part of the lease income during the lease term.

When the use of investment property is changed and reclassified as property, plant, and equipment, it shall be reclassified according to the book value at the time of the change of use.

l. Property, plant and equipment

1) Recognition and measurement

Property, plant, and equipment are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the service years of material part of property, plant, and equipment vary, they are deemed as independent items (main components) for treatment.

The gain or loss on disposal of the property, plant, and equipment is recognized in profit and loss.

2) Subsequent costs

Subsequent expense will only be capitalized when its future economic benefits are most likely to flow into the Combined Company.

3) Depreciation

The depreciation is calculated by capital cost less scrap value and is recognized in profit or loss based on the estimated service years of each component using the straight-line method. The land does not need to be depreciated. The rest of the estimated service life is: Machinery and equipment, 2-15 years; other equipment, 2-15 years; and houses and buildings are depreciated based on the estimated service life of their major components: main buildings, 20-40 years; mechanical and electrical engineering and another engineering, 5-20 years.

The depreciation method, useful life, and residual value are reviewed on each reporting day, and adjustments are postponed for the impact of any changes in estimates.

4) Reclassification to investment property

When the property for self-use is changed to investment property, the property is reclassified as investment property based on the book value at the time of the change of use.

m. Leases

The Combined Company evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1) Lessee

The Combined Company recognizes the right-of-use asset and the lease liability on the inception of the lease. The right-of-use asset is initially measured at cost, which includes the initial measured amount of the lease liability, adjusts any lease benefits paid on or before the inception of the lease, and adds the initial direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any leasing incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Combined Company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. If the interest rate implicit in the lease is easy to determine, the discount rate shall be the interest rate; if it is not easy to determine, the incremental borrowing rate of interest of the Combined Company shall be used. Generally, the Combined Company uses its incremental borrowing rate as the discount rate.

The lease payments comprise as follows:

a) fixed payments, including in-substance fixed lease payments;

b) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;

The lease liability subsequently accrues interest with the effective interest method, and its amount is measured when the following occurs:

a) changes in future lease payments resulting from changes in an index or a rate used to determine those payments;

b) change in the assessment of the lease term resulting from extension or termination of the exercise of the purchase option; or

c) lease modifications of the underlying asset, scope, and other terms and conditions.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset shall be adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

The changes in (iv) and (v) decreases the scope of a lease. When a lease modification decreases the scope of a lease, the carrying value of the right-of-use asset is decreased to reflect partial of full termination of the lease liability, and any gain or loss resulting from the aforementioned derecognition is immediately recognized in profit or loss.

The Combined Company records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the consolidated balance sheets.

For short-term leases of office equipment and leases of low-value underlying assets, the Combined Company chooses not to recognize the right-of-use assets and lease liabilities, but to recognize the related lease benefits as expenses on the straight-line basis during the lease term.

2) Lessor

When the Combined Company acts as a lessor, it determines at lease commencement date whether each lease is a finance lease or an operating lease. To classify each lease, the Combined Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. At the time of evaluation, the Combined Company's considerations include relevant specific indicators, such as whether it covers the main component of the economic life of the underlying asset during the lease term.

For operating leases, the Combined Company uses a straight-line basis to recognize the lease payments received as rental income during the lease period.

n. Intangible assets

1) Goodwill

Goodwill arising from the acquisition of subsidiaries is recognized in intangible assets. Please refer to Note 4 (21) for the measurement of goodwill originally recognized. Goodwill is not amortized and is measured at cost less accumulated impairment.

2) Other intangible assets

The patented technology acquired by the Combined Company as a result of mergers and acquisitions is recorded at its fair value on the acquisition date; other intangible assets are recorded at cost, and then measured at cost minus accumulated amortization and accumulated impairment. The amortization amount is calculated based on the following estimated service life based on the straight-line method, and the amortization amount is recognized in the profit and loss: patent rights, 5 years; patented technology, 5 to 10 years; purchased software, 1 to 5 years; customer relationship, 6 to 11 years; others, 5 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be adjusted when necessary.

o. Impairments of non-financial assets

The Combined Company assesses at each reporting date whether there is any indication that the carrying amount of non-financial assets (except for assets arising out of inventory, deferred income tax assets and employee welfare) may be impaired. If there is an indication that an asset may be impaired, then the Combined Company estimates the recoverable amount of such asset. Goodwill is subject to impairment tests on a regular basis every year or when there are signs of impairment.

The purpose of the impairment test, a group of assets whose cash inflow is mostly independent of other individual assets or asset groups, is regarded as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect of the merger.

The recoverable amount is the higher of the fair value of the individual asset or cash-generating unit minus the cost of disposal and its value in use, whichever is higher. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

When the recoverable amount of an individual asset or a CGU is less than its carrying amount, an impairment loss is recognized. The impairment loss is recognized immediately in profit or loss, firstly by reducing the carrying amount of any goodwill allocated to the CGU, and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will only be reversed if they do not exceed the carrying amount (less depreciation or amortization) determined when no impairment loss had been recognized for the asset in the previous year.

p. Liability reserve

The recognition of liability provision means current obligation for past events, so that in the future the Combined Company is most likely to outflow resources with economic benefits to settle it, and the amount of the obligation can be reliably estimated.

The reorganization liability provision is recognized when the Combined Company approves the detailed and formal reorganization plan and starts to proceed or publicly announces the reorganization plan. Provisions are not recognized for future operating losses.

q. Revenue recognition

The Combined Company recognizes the income upon transfer of control over product. The transfer of control over products means that products are delivered to customers with no unfulfilled obligations that may affect customers' acceptance of the products. Delivery occurs when the product is delivered to a specific location, the risk of loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, or the Combined Company has objective evidence that all acceptance conditions have been met.

The Combined Company recognizes revenue on the basis of the contract price minus the estimated quantity discount and discount. The amount of the quantity discount and discount is estimated based on the expected value based on the accumulated experience in the past, and recognizes income within the scope of a major turnaround. As of the reporting date, the amount discounts and discounts expected to be paid to customers for related sales are recognized as refund liabilities (other current liabilities are accounted for).

The Combined Company recognizes accounts receivable upon delivery of goods, because it enjoys the entitlement of collecting consideration unconditionally at this timing.

r. Government subsidies and government assistance

Government subsidies are only recognized when they can be reasonably assured that the Combined Company shall comply with the conditions imposed by government subsidies and that such subsidies can be received. If the government subsidy is used to compensate fees or losses that had occurred, or is given to the Combined Company for the purpose of immediate financial support without related future costs, it can be recognized as income within the collectible period.

For borrowings obtained from financial institutions by means of government credit guarantees, the Combined Company calculates the fair value of the loans based on market interest rates. The difference between it and the amount received is recognized as deferred income. During the borrowing period, the deferred income is recognized as non-operating income - other income on a systematic basis.

s. Employee benefits

1) Defined contribution plans

Assignment obligations that should be contributed to defined contribution retirement benefit plans are recognized as employee benefit expenses under profit and loss when employees have rendered service.

2) Defined benefit plans

The net obligation of the Company to determine the benefit plan is calculated by converting the future benefit amount earned by the employee in the current period or the previous period into the present value for each benefit plan and deducting the amount of the fair value of any plan assets. The discount rate is the yield on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The net obligation of the defined benefit plan is calculated annually by a qualified actuary using the projected unit credit method.

When the benefit in the plan improves, the relevant expense for the part of incremental benefit for previous services by employees is immediately recognized as profit or loss.

The number of remeasurement of net defined benefit liabilities (assets) includes (1) actuarial profit or loss; (2) planned asset rewards, excluding the amount contained in net interest of net defined benefit liability (asset); and (3) any change in upper limit influence number of assets, excluding amount contained in net interest of net defined benefit liability (asset). The remeasured amount of net defined benefit liabilities (assets) is recognized in other comprehensive income and recognized in other equity.

The Combined Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gains or losses on the curtailment or settlement include any change in fair value of planned assets and current value of defined benefit obligations.

3) Short-term employee benefits

The obligation for short-term employee benefits is measured on undiscounted basis, and recognized as expense at the time of provision of relevant services. For expected payment amount under short-term cash bonus or bonus plan, if the Combined Company undertakes current obligation of legal or constructive payment for the previous provision of services by employees and the obligation can be reliably estimated, the amount is recognized as liability.

t. Income tax

Income taxes include current and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The current income tax includes the estimated income tax payable or income tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to the income tax payable or income tax refund receivable in previous year. The amount is the best estimate of the amount expected to be paid or received after reflecting the uncertainty (if any) related to income tax, according to the statutory tax rate on the reporting date or the tax rate of the substantive legislation.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities on the reporting date and their respective tax bases. The temporary difference for the following conditions will not be recognized as deferred income tax:

1) Originally recognized asset or liability not failing to the transaction of corporate consolidation,(i)without influencing account profit and levy duty gain (loss) at the transaction and(ii)does not result in equivalent taxable and deductible temporary differences;

2) Due to temporary differences arising from investment in subsidiaries, affiliates, and joint venture equity, the Combined Company can control the timing of the reversion of the temporary differences and it is very likely that they will not revert in the foreseeable future; and

3) Taxable temporary differences arising from the original recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period, and has reflected the uncertainty related to income tax (if any).

The Combined Company only offsets the deferred income tax assets and deferred income tax liabilities when the following conditions are met simultaneously:

1) The entity has the legal right to settle tax assets and liabilities on a net basis; and
2) The amounts of deferred tax assets and liabilities are:
   a) Levied by the same taxing authority; or
   b) Levied by different entities that intend to realize the asset and settle the liability at the same time.

For unused tax losses and unused income tax deduction at the later stage of the transfer and deductible temporary differences, they are recognized as deferred income tax assets to the extent that there is likely to be future taxable income available for use. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

u. Business mergers

The Combined Company uses the acquisition method to handle business mergers. Goodwill is the fair value of the consideration transferred on the acquisition date, including the amount attributable to any non-controlling interests of the acquiree, deduct the net amount of identifiable assets acquired and liabilities assumed (Usually fair value). If the balance after the deduction is negative, the Combined Company will reassess whether all acquired assets and all liabilities assumed have been correctly identified before recognizing the benefits of cheap purchases in profit or loss.

Except for those related to the issuance of debt or equity instruments, transaction costs related to business combinations should be immediately recognized as expenses of the amalgamating company when incurred.

Among the non-controlling interests of the acquiree, if it is a current ownership interest, and its holder is entitled to a proportional share of the net assets of the enterprise when the liquidation occurs, the Combined Company is measured on a transaction-by-transaction basis based on the fair value at the acquisition date or the proportion of the current ownership instrument to the recognized amount of the acquiree’s identifiable net assets. Other non-controlling interests are measured at their fair value on the acquisition date or other basis as required by the International Financial Reporting Standards recognized by the FSC.

In a business combination achieved in stages, the Combined Company remeasures its previously held interest in the acquiree at fair value at the acquisition date, and any resulting gain or loss is recognized in profit or loss. Changes in the value of the acquiree’s interest that were recognized in other comprehensive income before the acquisition date should be treated in the same manner as if the Consolidated Company had directly disposed of its previously held interest, and if it is appropriate to reclassify the interest to profit or loss upon disposal, the amount is reclassified to profit or loss.

If the original accounting treatment of the business combination has not been completed before the reporting date of the merger transaction, the Combined Company recognizes the incomplete accounting treatment items at a tentative amount, and makes retrospective adjustments or recognizes additional assets or liabilities during the measurement period to reflect the new information about the facts and circumstances that existed on the acquisition date obtained during the measurement period. The measurement period is no more than one year from the acquisition date.

v. Earnings per share

The Combined Company presents the basic and diluted earnings per share of shareholders of common stock equity. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with profit or loss of the Company's common stock holders and weighted average number of common shares outstanding. The potential diluted ordinary shares of the Combined Company are employees' compensation that can choose to use stocks.

w. Segment Information

The operation department, as part of the Combined Company, is engaged in operating activities for gaining income or incurring expenses (including income and expenses related to the transaction with other departments in the Company). The operation results of all operation segments are regularly re-checked by major operation decision-makers of the Combined Company, to make decisions on resource allocation and assess the performance. Every operation segment has its independent financial information.

5. The Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When preparing the Consolidated Financial Statements according to preparation standards and IFRS recognized by FSC, the management may have to make judgment, estimate, and assumption, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Actual results may differ from these estimates.

The management has to continuously check the estimate and basic assumptions, and the accounting estimate is recognized during the period of change and during the future influenced period.

The accounting policy involves significant judgments and information that has a material impact on the amount recognized in the Consolidated Financial Statements is as follows:

a. Judgment on whether the invested company has substantial control or significant influence

The Combined Company holds14.82% of the voting shares of Visco Vision Inc. and is the single largest shareholder. Although the remaining 85.18% of Visco's shares are not concentrated in specific shareholders, the Combined Company was still unable to obtain more than half of the board seats of Visco, and it did not obtain more than half of the voting rights of shareholders attending the shareholders meeting. Instead, it only obtained one Board of Directors and participated in decision-making. Therefore, it was determined that the Combined Company had no control over Visco but only held significant influence, and is evaluated using the equity method.

The following assumptions and estimated uncertainties have a significant risk of causing significant adjustments to the carrying amount of assets and liabilities in the next financial year are as follows:

b. Inventory Valuation

As inventory shall be measured based on the lower of cost or realizable value, if on the Combined Company's evaluation report date, the inventory is unqualified, outdated, or has no market value, the inventory cost shall be offset to net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future but may cause major changes.

6. Descriptions of Material Accounting Items

a. Cash and Cash Equivalents

	2023.12.31	2022.12.31
Working capital	$ 637	175
Demand deposit and check deposit	607,645	452,959
Time deposits with original maturity within three months	11,408	200,000
	$ 619,690	653,134

As of December 31, 2023 and 2022, bank time deposits with original maturity exceeding three months (excluding time deposits pledged) amounted to NT$751,809 thousand and NT$36,980 thousand, respectively, classified as other financial assets - current.

b. Financial assets and liabilities measured at fair value through profit and loss - Current

	2023.12.31	2022.12.31
Mandatory financial assets measured at fair value through profit and loss - Current:		
Foreign exchange forward contracts	$ 28,705	17,316
Exchange contracts	36,591	-
	$ 65,296	17,316

	2023.12.31	2022.12.31
Financial liabilities held for transaction - current		
Exchange contracts	$ -	(1,800)

Fair value remeasurement was recognized in profit or loss. Refer to Note 6 (25) for details.

1) Derivative financial instruments

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 exchange forward contracts

2023.12.31

Contract amount (NT$ thousand)	Type of currency	Due Date
USD$31,000	Buy JPY Call/USD Put	2024.01.24~2024.02.22
USD$15,000	Buy RMB Call/USD Put	2024.01.25

2022.12.31

Contract amount (NT$ thousand)	Type of currency	Due Date
USD$30,000	Buy RMB Call/USD Put	2023.01.31
USD$18,000	Buy JPY Call/USD Put	2023.01.19~2023.02.24

b) Exchange contracts

2023.12.31		
Contract amount (NT$ thousand)	**Type of currency**	**Due Date**
USD$97,000	Buy NTD Call/USD Put	2024.01.19~2024.01.30

2022.12.31		
Contract amount (NT$ thousand)	**Type of currency**	**Due Date**
USD$40,000	Buy NTD Call/USD Put	2023.01.31

c. Financial assets at fair value through other comprehensive income

	2023.12.31	2022.12.31
Equity instruments measured at fair value through other comprehensive gains and losses:		
Stocks listed in the emerging stock market in Taiwan	$ 63,840	54,549
Unlisted stocks	96,007	96,504
	$ 159,847	**151,053**
Current	$ 63,840	54,549
Non-current	96,007	96,504
	$ 159,847	**151,053**

The Combined Company designated the aforementioned investments as financial assets at FVTOCI because these equity instruments are held for long-term strategic purposes and not for trading.

For the years ended December 31, 2023 and 2022, no disposal of investments was conducted and hence no transfer of cumulative profit or loss was recognized.

d. Notes and accounts receivable

	2023.12.31	2022.12.31
Notes receivable	$ 28,834	13,871
Accounts receivable	2,193,988	2,176,243
Deduction: Allowance for loss	(21,749)	(33,711)
	2,201,073	2,156,403
Accounts Receivable - Related Parties	930,453	853,146
	$ 3,131,526	**3,009,549**

1) The Combined Company adopts a simplified approach to estimate expected credit losses for all note and accounts receivable (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 December 31, 2023 and 2022 was as follows:

	2023.12.31		
	Book amount of accounts receivable and bills	**Weighted average loss rate**	**Loss allowance for lifetime expected credit losses**
Not pass due	$ 3,104,478	0.0542%	1,684
Pass due 1~30 days	28,751	2.5773%	741
Pass due 31~60 days	650	7.8462%	51
Pass due 61~90 days	136	9.5588%	13
Past due more than 91 days	19,260	100%	19,260
	$ 3,153,275		21,749

	2022.12.31		
	Book amount of accounts receivable and bills	**Weighted average loss rate**	**Loss allowance for lifetime expected credit losses**
Not pass due	$ 2,925,756	0.0278%	812
Pass due 1~30 days	28,997	1.4450%	419
Pass due 31~60 days	32,501	2.6891%	874
Pass due 61~90 days	25,652	4.8807%	1,252
Past due more than 91 days	30,354	100%	30,354
	$ 3,043,260		33,711

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

	2023	**2022**
Balance at the beginning of the year	$ 33,711	19,316
Effect of first-time incorporation of subsidiaries	2,447	-
Impairment loss (gain on reversal of impairment loss)	(13,632)	14,128
Amounts written off as uncollectible for the year	(469)	-
Foreign currency conversion gains and losses	(308)	267
Balance at the end of the year	$ 21,749	33,711

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:

2023.12.31

Sale object	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters
Taipei Fubon Commercial Bank	$ 247,778	-	223,000	24,778	1.90%	Guaranteed Promissory Note 92,250
KGI Bank	196,667	-	177,000	19,667	2.20%	Guaranteed Promissory Note 92,250
	$ 444,445	**-**	**400,000**	**44,445**		**184,500**

2022.12.31

Sale object	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters
E.Sun Bank	$ 225,506	-	202,956	22,550	4.97~5.10%	N/A
Taipei Fubon Commercial Bank	218,941	-	197,047	21,894	5.29%	N/A
KGI Bank	57,962	-	52,166	5,796	5.73%	Guaranteed Promissory Note 921,900
	$ 502,409	**-**	**452,169**	**50,240**		**921,900**

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.

e. Other receivables

	2023.12.31	2022.12.31
Other receivables - accounts receivable sale minus advance price balance (Note 6 (4) and 7)	$ 75,111	137,650
Other receivables - others	5,096	3,469
Other receivables - related parties	54	10
	80,261	141,129
Deduction: Allowance for loss	-	-
	$ 80,261	**141,129**

The Combined Company's other receivables as of December 31, 2023 and 2022 have no expected credit losses after assessment.

f. Inventory

		2023.12.31	2022.12.31
Raw Material	$	1,436,328	1,090,770
Work in progress		1,039,051	786,853
Finished goods		916,516	842,361
	$	**3,391,895**	**2,719,984**

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

		2023	2022
Inventory cost has been sold	$	13,911,986	12,238,788
Loss of inventory falling price		13,903	198,238
	$	**13,925,889**	**12,437,026**

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

g. Non-current assets held for sale

		2023.12.31	2022.12.31
Land and buildings held for sale	**$**	**-**	**-**

1) In May, 2021, the Board of Directors of SGM decided to sell the lands, structures, and equipment of machinery in Ruifang District, New Taipei City, and these assets on the carrying value was NT$163,909 thousand. The sale transaction had been finished in the season first, 2022, and besides, the net price on the disposal of the assets was NT$276,494 thousand, the derivative gains on the disposal was NT$112,585 thousand (relevant to the land value increment tax and the income tax deduction), was listed under "The Other Profits and Loss". Some of the machinery equipment was sold to the others related of the Combined Company, refer to Note 7 for the details.

2) In July, 2021, the Board of Directors of BMS decided to sell parts of the properties and assets-related (the land use rights, buildings, and machinery equipment on the book of first record and deferred expenses), located in the Industrial Park of Suzhou, Suzhou City, China. These assets on the carrying value was NT$301,762. BMS had signed the bargains with the buyer in March, 2022, and had been sold in the season third of the year, net price on the disposal of the assets was NT$1,079,231 thousand, the derivative gains on the disposal were NT$780,563 thousand (the relevant to the land value increment tax and the income tax deduction), was listed under "The Other Profits and Loss", as of December 31, 2022, the relevant amounts had been received.

h. Investments accounted for using the equity method

	2023.12.31	2022.12.31
Associates	$ 465,829	480,749

1) Associates:

Name of associates	Nature of Relationship with the Company	Principal business place/country of incorporation	2023.12.31 Voting rights%	2023.12.31 Book amount	2022.12.31 Voting rights%	2022.12.31 Book amount
Visco Vision Inc. (Visco Vision)	Its main business is to manufacturer and sell disposable contact lenses, and it is a strategic partner of the Company.	Taiwan	14.82%	457,486	14.82%	471,428
MLK Bioscience Co., Ltd. (MLK)	Its main business is to research, develop and sell medical devices, and it is a strategic partner of the Company.	Taiwan	20.00%	4,086	20.00%	4,347
Coatmed Incorporation (Coatmed)	Its main business is to sell medical devices, and it is a strategic partner of the Company.	Taiwan	9.98%	4,257	9.98%	4,974
				$ 465,829		480,749

In November 2022, the Company disposing of some of the equity of Visco with a cash amount of NT$84,000 thousand resulting in disposal of an investment benefit of NT$67,230 thousand. In addition, the consolidated company did not participate in the capital increase handled by Visco Vision in November 2022, which reduced the consolidated company's equity in Visco to 14.82% (but it did not result in a significant loss of influence), resulting in an increase in the capital surplus of NT$184,705 thousand and a disposal investment loss of NT$3,131 thousand.

Coatmed Incorporation (hereinafter referred to as "Coatmed") made a cash capital increase in October 2022, and the Combined Company did not participate in the capital increase, which reduced the Combined company's interest in Coatmed to 9.98%. However, the Combined company still serves as a director of the company and participates in decision-making, so it has not lost significant loss of influence.

The share of net profit of the Combined Company for 2023 and 2022 was NT$47,693 thousand and NT$110,101 thousand respectively.

The fair value of a listed related enterprise of significance to the Combined Company is as follows:

	2023.12.31	2022.12.31
Visco Vision	$ 2,025,429	2,655,458

The above ordinary shares of Visco Vision began to be listed on the Taiwan Stock Exchange on November 28, 2022.

The aggregate financial information of a related enterprise of material significance to the Combined Company is as follows:

a) Aggregated financial information of Visco Vision

	2023.12.31	2022.12.31
Current assets	$ 1,783,674	2,651,705
Non-current assets	2,940,284	2,642,290
Current liabilities	(884,926)	(956,308)
Non-current liabilities	(856,615)	(1,228,947)
Net assets	$ 2,982,417	3,108,740
Net assets attributable to non-controlling interests	$ 17,477	24,528
Net assets attributable to owners of the investee company	$ 2,964,940	3,084,212

	2023	2022
Operating revenue	$ 2,397,675	2,777,524
Net profit for the current period	$ 294,562	614,009
Other comprehensive income (loss)	(74,385)	96,671
Total comprehensive income	$ 220,177	710,680
Total comprehensive profit or loss attributable to non-controlling interests	$ (7,051)	(3,422)
Total comprehensive profit or loss attributable to the owners of the investee company	$ 227,228	714,102

	2023	2022
Share in net assets of related enterprise of the Combined Company at the beginning of the period	$ 471,428	213,301
Net profits attributable to the Combined Company in the current period	48,678	111,231
Other comprehensive income attributable to the Combined Company in the current period	(11,285)	16,392
Capital reserve attributable to the Combined Company in the current period	-	184,705
Dividends received from associates in the current period	(51,335)	(39,335)
Disposal of associates in the current period	-	(14,866)
Book value of the Combined Company at the end of the period on equity of related enterprises	$ 457,486	471,428

b) The aggregate financial information of individual insignificant related enterprises under the equity method of the Combined Company is as follows, and such financial information is the amount included in the Consolidated Financial Report:

		2023.12.31	2022.12.31
The carrying amount of equity of individually immaterial associates at the end of the period	$	8,343	9,321

		2023	2022
Share attributable to the Combined Company:			
Net loss of the period	$	(985)	(1,130)
Other comprehensive income (loss)		7	(5)
Total comprehensive income	$	(978)	(1,135)

i. Business mergers

1) Acquisition of a subsidiary - Web-Pro Co., Ltd. (Web-Pro) and its subsidiaries

a) Acquisition of transfer consideration from subsidiaries

On January 3, 2023(the acquisition date), the Combined Company acquired 51% of the equity in Web-Pro from its shareholders for a total amount of NT$3,161,999 thousand, thereby gaining control over the company. Therefore, from the acquisition date onwards, the company and its subsidiaries were included in the Combined Company. Web-Pro and its subsidiaries primarily engage in the manufacturing, processing, and trading of water-jet non-woven fabrics, as well as various breathable PE films. The acquisition of Web-Pro and its subsidiaries by the Combined Company is aimed at expediting the group's expansion in the healthcare sector. This strategic move involves leveraging core research and development capabilities and manufacturing technologies to venture into the development of medical-related materials. Furthermore, it facilitates access to the existing customer base and overseas locations of Web-Pro and its subsidiaries.

b) Acquisition of identifiable net assets

The fair value of the identifiable assets acquired and liabilities assumed by Web-Pro on January 3, 2023 (acquisition date) are as follows:

Transfer consideration:		
Cash		$ 3,161,999
Non-controlling interests (measured as identifiable net assets in proportion to non-controlling interests)		3,014,592
Fair value of identifiable assets acquired and liabilities assumed:		
Cash and Cash Equivalents	$ 1,380,961	
Notes and accounts receivable, net	268,543	
Other receivables	6,926	
Inventories, net	262,705	
Other current assets	45,959	
Property, plant and equipment	4,279,762	
Right-of-use assets	329,406	
Intangible assets - patent rights	23,250	
Deferred income tax assets	15,282	
Other financial assets - non-current	9,252	
Guarantee deposits paid	7,386	
Other non-current assets	35,041	
Notes and accounts payable	(80,201)	
Other payables	(183,262)	
Lease liabilities - current	(4,112)	
Other current liabilities	(2,584)	
Deferred tax liabilities	(234,453)	
Lease liabilities - non-current	(7,042)	
Other non-current liabilities	(590)	(6,152,229)
Goodwill		**$ 24,362**

c) Intangible assets

The above patent rights are amortized on a straight-line basis over 5 years, based on the expected future economic benefits.

The goodwill is mainly derived from the value of the human resources team of Web-Pro. These benefits do not meet the criteria for recognition as identifiable intangible assets and are therefore not separately recognized as goodwill, but the goodwill recognized is not expected to have any income tax effect.

d) Temporary information on the operating results

From the date of acquisition to December 31, 2023, the operating results of Web-Pro were consolidated into the consolidated statement of comprehensive income of the Combined Company, contributing operating income and net loss after tax of NT$2,282,648 thousand and NT$206,733 thousand, respectively.

2) Changes in ownership interests in subsidiaries

In 2023, the Combined Company increased its shareholding in Genejet by NT$4,544 thousand in cash, which increased the equity held by the Combined Company from 70.00% to 75.63%. Furthermore, in the same fiscal year, as a result of employees exercising stock options for common shares, Cenefom issued new shares, leading to a decrease in the Combined Company's equity interest in Cenefom. However, this did not result in a loss of control.

In 2022, the Combined Company increased its shareholding in Cenefom by NT$180,706 thousand in cash, which increased the equity held by the Combined Company from 34.83% to 51.34%.

The effect of the changes in the ownership interest of the above-mentioned Combined Company on the owners' equity attributable to the parent company is as follows:

		2023	2022
Retained earnings - difference between the price of equity acquired or disposed of by the subsidiary and the book value	$	(1,123)	(30,506)
Retained earnings - changes in ownership interests in subsidiaries		(301)	-
	$	(1,424)	(30,506)

j. Subsidiary with significant non-controlling interests

Significant non-controlling interests of subsidiaries in relation to the Combined Company are as follows:

Subsidiary name	Principal business place / country of incorporation	The proportion of ownership interests and voting rights attributable to non-controlling interests	
		2023.12.31	2022.12.31
Web-Pro	Taiwan	49.00%	-

The summarized financial information of the aforementioned subsidiaries is presented below. This financial information is prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC). It includes fair value adjustments made by the Combined Company on the acquisition date and reflects the amounts of internal transactions within the Combined Company that have not been eliminated as of the reporting date:

1) Aggregated financial information of Web-Pro:

	2023.12.31
Current assets	$ 1,616,521
Non-current assets	4,614,903
Current liabilities	(326,911)
Non-current liabilities	(225,776)
Net assets	**$ 5,678,737**
Book value at the end of the period attributable of non-controlling interests	**$ 2,770,643**

	2023
Net operating revenue	**$ 2,282,648**
Net profit for the current period	$ 206,733
Other comprehensive income (loss)	(4,589)
Total comprehensive income	**$ 202,144**
Net profit for the current period attributable to non-controlling interests	**$ 101,299**
Total comprehensive profit or loss attributable to non-controlling interests	**$ 99,050**

	2023
Cash flows from operating activities	$ 387,610
Cash flows from investing activities	(845,125)
Cash flows from financing activities	(704,132)
Effect of changes in exchange rates	17,496
Decrease in cash and cash equivalents	**$ (1,144,151)**
Dividends paid to non-controlling interests	**$ (343,000)**

k. Property, plant and equipment

	Land	Housing and structures	Machinery equipment	Others	Total
Cost:					
Balance as of January 1, 2023	$ 1,344,108	3,625,582	6,350,404	2,958,091	14,278,185
Acquisitions of businesses	2,655,099	1,444,454	1,789,372	486,722	6,375,647
Addition	152,115	93,347	165,039	1,145,729	1,556,230
Disposal	-	-	(12,007)	(9,096)	(21,103)
Reclassification and effect of foreign exchange rate changes	27,672	(1,695)	105,158	(198,905)	(67,770)
Balance as of December 31, 2023	**$ 4,178,994**	**5,161,688**	**8,397,966**	**4,382,541**	**22,121,189**
Balance as of January 1, 2022	$ 1,344,108	3,585,151	6,137,565	2,324,470	13,391,294
Addition	-	30,098	231,436	824,755	1,086,289
Disposal	-	-	(193,084)	(11,628)	(204,712)
Reclassification non-current assets held for sale	-	(4,430)	(16,318)	-	(20,748)
Others reclassification and effect of foreign exchange rate changes	-	14,763	190,805	(179,506)	26,062
Balance as of December 31, 2022	**$ 1,344,108**	**3,625,582**	**6,350,404**	**2,958,091**	**14,278,185**
Accumulated depreciation:					
Balance as of January 1, 2023	$ -	2,140,069	5,239,509	1,834,154	9,213,732
Acquisitions of businesses	-	369,842	1,488,106	237,937	2,095,885
Depreciation for the period	-	197,675	398,677	159,562	755,914
Disposal	-	-	(12,007)	(9,096)	(21,103)
Reclassification and effect of foreign exchange rate changes	-	(13,178)	(13,392)	(3,773)	(30,343)
Balance as of December 31, 2023	**$ -**	**2,694,408**	**7,100,893**	**2,218,784**	**12,014,085**
Balance as of January 1, 2022	$ -	2,008,466	5,162,709	1,726,890	8,898,065
Depreciation for the period	-	123,113	266,122	117,371	506,606
Disposal	-	-	(179,960)	(11,624)	(191,584)
Reclassification non-current assets held for sale	-	-	(16,318)	-	(16,318)
Others reclassification and effect of foreign exchange rate changes	-	8,490	6,956	1,517	16,963
Balance as of December 31, 2022	**$ -**	**2,140,069**	**5,239,509**	**1,834,154**	**9,213,732**
Carrying Value:					
December 31, 2023	**$ 4,178,994**	**2,467,280**	**1,297,073**	**2,163,757**	**10,107,104**
December 31, 2022	**$ 1,344,108**	**1,485,513**	**1,110,895**	**1,123,937**	**5,064,453**
January 1, 2022	**$ 1,344,108**	**1,576,685**	**974,856**	**597,580**	**4,493,229**

For the details of property, plant, and equipment that have been used as guarantees for long-term borrowings and financing lines, please refer to Note 8 for details.

l. Right-of-use assets

		Land use rights	Housing and structures	Total
Right-of-use assets cost:				
Balance as of January 1, 2023	$	57,125	543,255	600,380
Acquisitions of businesses		401,619	1,977	403,596
Effect of changes in exchange rates		(4,113)	-	(4,113)
Balance as of December 31, 2023	**$**	**454,631**	**545,232**	**999,863**
Balance as of January 1, 2022	$	63,352	482,953	546,305
Addition		-	474,749	474,749
Derecognition in the current period		-	(414,447)	(414,447)
Reclassification non-current assets held for sale		(7,114)	-	(7,114)
Effect of changes in exchange rates		887	-	887
Balance as of December 31, 2022	**$**	**57,125**	**543,255**	**600,380**
Accumulated depreciation of right-of-use assets:				
Balance as of January 1, 2023	$	14,078	17,104	31,182
Acquisitions of businesses		73,751	439	74,190
Depreciation for the period		17,154	103,986	121,140
Effect of changes in exchange rates		(856)	-	(856)
Balance as of December 31, 2023	**$**	**104,127**	**121,529**	**225,656**
Balance as of January 1, 2022	$	15,035	340,980	356,015
Depreciation for the period		1,204	90,571	91,775
Derecognition in the current period		-	(414,447)	(414,447)
Reclassification non-current assets held for sale		(2,367)	-	(2,367)
Effect of changes in exchange rates		206	-	206
Balance as of December 31, 2022	**$**	**14,078**	**17,104**	**31,182**
Carrying Value:				
December 31, 2023	**$**	**350,504**	**423,703**	**774,207**
December 31, 2022	**$**	**43,047**	**526,151**	**569,198**
January 1, 2022	**$**	**48,317**	**141,973**	**190,290**

The land use right (including the land use right listed in investment property) 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. Additionally, the Combined Company obtained the land use right of the Vietnam Nhon Trach 3 Industrial Park for the purpose of building factories. The period of use was from 2016 to 2058.

m. Investment properties

		Housing and structures	Land use rights	Total
Cost:				
Balance as of January 1, 2023	$	308,385	59,477	367,862
Effect of changes in exchange rates		(4,851)	(936)	(5,787)
Balance as of December 31, 2023	**$**	**303,534**	**58,541**	**362,075**
Balance as of January 1, 2022	$	890,396	67,711	958,107
Reclassification non-current assets held for sale		(595,028)	(9,184)	(604,212)
Effect of changes in exchange rates		13,017	950	13,967
Balance as of December 31, 2022	**$**	**308,385**	**59,477**	**367,862**
Accumulated depreciation:				
Balance as of January 1, 2023	$	186,494	20,096	206,590
Depreciation for the period		10,628	1,215	11,843
Effect of changes in exchange rates		(3,077)	(332)	(3,409)
Balance as of December 31, 2023	**$**	**194,045**	**20,979**	**215,024**
Balance as of January 1, 2022	$	505,452	21,583	527,035
Depreciation for the period		14,875	1,269	16,144
Reclassification non-current assets held for sale		(341,222)	(3,056)	(344,278)
Effect of changes in exchange rates		7,389	300	7,689
Balance as of December 31, 2022	**$**	**186,494**	**20,096**	**206,590**
Carrying Value:				
December 31, 2023	**$**	**109,489**	**37,562**	**147,051**
December 31, 2022	**$**	**121,891**	**39,381**	**161,272**
January 1, 2022	**$**	**384,944**	**46,128**	**431,072**
Fair value:				
December 31, 2023			**$**	**343,053**
December 31, 2022			**$**	**348,535**

Investment properties are factory areas used for lease. The fair value of investment property is evaluated based on the market evidence of similar property transaction prices in the same area by the management, and the input value used in its fair value evaluation technology belongs to the third level.

n. Intangible assets

		Goodwill	Patent rights	Patented technology	Customer relationship	Purchased software	Others	Total
Cost:								
Balance as of January 1, 2023	$	32,262	-	127,248	34,925	296,034	1,864	492,333
Acquisitions of businesses		24,362	23,250	-	-	-	-	47,612
Separate acquisition		-	-	-	-	67,945	-	67,945
Reclassification and influence of exchange rate change		-	-	32	-	775	(15)	792
Balance as of December 31, 2023	**$**	**56,624**	**23,250**	**127,280**	**34,925**	**364,754**	**1,849**	**608,682**
Balance as of January 1, 2022	$	32,262	-	122,173	34,925	264,009	1,850	455,219
Separate acquisition		-	-	-	-	29,008	-	29,008
Reclassification and influence of exchange rate change		-	-	5,075	-	3,017	14	8,106
Balance as of December 31, 2022	**$**	**32,262**	**-**	**127,248**	**34,925**	**296,034**	**1,864**	**492,333**
Accumulated amortization:								
Balance as of January 1, 2023	$	-	-	72,529	4,138	272,682	1,601	350,950
Amortization for the year		-	4,650	7,746	3,547	41,380	22	57,345
Reclassification and influence of exchange rate change		-	-	33	-	(10)	(16)	7
Balance as of December 31, 2023	**$**	**-**	**4,650**	**80,308**	**7,685**	**314,052**	**1,607**	**408,302**
Balance as of January 1, 2022	$	-	-	54,393	591	232,897	1,565	289,446
Amortization for the year		-	-	13,300	3,547	39,774	22	56,643
Reclassification and influence of exchange rate change		-	-	4,836	-	11	14	4,861
Balance as of December 31, 2022	**$**	**-**	**-**	**72,529**	**4,138**	**272,682**	**1,601**	**350,950**
Carrying Value:								
December 31, 2023	**$**	**56,624**	**18,600**	**46,972**	**27,240**	**50,702**	**242**	**200,380**
December 31, 2022	**$**	**32,262**	**-**	**54,719**	**30,787**	**23,352**	**263**	**141,383**
January 1, 2022	**$**	**32,262**	**-**	**67,780**	**34,334**	**31,112**	**285**	**165,773**

As of December 31, 2023 and 2022, the goodwill arising from the merger and acquisition was apportioned to the following cash generating units benefiting from the consolidated effect:

		2023.12.31	2022.12.31
Cenefom	$	32,262	32,262
Web-Pro		24,362	-
	$	**56,624**	**32,262**

The above-mentioned cash generating units are the smallest units under the supervision of management under the return on investment of assets containing goodwill. Based on the results of the goodwill impairment test conducted by the Combined Company on the aforesaid cash generating units, the recoverable amount of the aforesaid cash generating units as of December

31, 2023 and 2022 is higher than their book value, so there is no need to recognize the impairment loss. The recoverable amount of each of the cash generating units is determined based on the value in use, and the relevant key assumptions are as follows:

The key assumptions used to estimate the value in use are as follows:

	2023.12.31	**2022.12.31**
Cenefom:	-	-
Operating Revenue Growth Rate	13%~86%	2%~77%
Discount rate	22.38%	22.96%
Web-Pro:		
Operating Revenue Growth Rate	4.2%~33.2%	-
Discount rate	12.18%	-

1) The estimated future cash flows used are based on the five-year financial budgets projected by management based on future operating plans, with cash flows over five years extrapolated at an annual growth rate of 1%.

2) The discount rate for determining the value in use is based on the weighted average cost of capital.

o. Short-term borrowings

	2023.12.31	**2022.12.31**
Unsecured bank loans	$ 1,490,000	1,051,460
Unused credit line	$ 8,721,559	8,163,599
Interest rate range	**1.75%~1.85%**	**1.37%~4.80%**

p. Long-term borrowings

	2023.12.31	**2022.12.31**
Unsecured bank loans	$ 3,358,841	1,265,488
Secured bank loans	1,440,000	-
Less: Long-term borrowings due within one year	(381,943)	(181,486)
Total	$ 4,416,898	1,084,002
Unused credit line	$ 7,206,340	5,796,100
Expiration year	113-122	112-119
Interest rate range	**1.75%~2.27%**	**1.63%~1.68%**

1) Collateral for bank loans

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

2) Government low-interest loans

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 and 2023. As of December 31, 2023 and 2022, the actual repayment preferential interest rate is 1.25%~1.60% and 1.13%~1.18%, besides, the actual amount of transfer amounted on NT$2,280,070 thousand and NT$1,278,350 thousand. The fair value of the loans was NT$2,239,880 thousand and NT$1,253,770 thousand based on the market interest rate of 1.75%~1.90% and 1.63%~1.68%, and the difference of NT$40,190 thousand and

NT$24,580 thousand is regarded as the government subsidy and recognized as deferred income. In 2023 and 2022, the amount of the aforementioned deferred income transferred to "other income" amounted to NT$7,243 thousand and NT$4,872 thousand, respectively.

3) 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, 2023 and 2022 were in compliance with the agreed standards in the joint loan contract.

q. Lease liabilities

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

	2023.12.31	2022.12.31
Current:		
Related parties	$ 93,401	91,746
Non-related parties	$ 11,218	7,787
Non-current:		
Related parties	$ 289,379	382,780
Non-related parties	$ 40,419	44,595

Please refer to financial risk management of Note 6 (27) for expiry analysis.

The amounts recognized in profit or loss were as follows:

	2023	2022
Short-term lease expense	$ 17,037	17,277
Interest expense – lease obligations payable	$ 8,773	1,938

The amounts recognized in the statements of cash flows are:

	2023	2022
Total cash flows on lease	$ 129,455	119,089

1) Lease of buildings and constructions

The Combined Company leases houses and buildings as factories and dormitories. The lease term of the plant is usually five to ten 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.

2) 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.

r. Operating leases - lessor

The investment property leased by the Combined Company does not transfer all risks and remuneration attached to the ownership of the underlying assets, so the tenancy agreement is classified as an operating lease. Please refer to Note 6 (13) investment property for details.

The maturity analysis of the lease payment is listed as follows according to the non-discounted future cash flows of lease receivable after the reporting date:

	2023.12.31	2022.12.31
Less than 1 year	$ 6,798	21,601
1~5 years	17,365	24,804
Non-discounted future cash flows of lease	$ 24,163	46,405

The rental income from investment property in 2023 and 2022 was NT$41,697 thousand and NT$73,838 thousand, respectively, which were reported under operating income. The direct operating expenses incurred by investment property (listed in "Operating Costs") are as follows:

	2023	2022
Direct operating expenses of investment properties that generated rental income	$ 19,089	25,068

s. Employee benefits

1) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets for defined benefit plans was as follows:

	2023.12.31	2022.12.31
Present value of defined benefit obligations	$ 65,565	70,097
Fair value of plan assets	(53,449)	(50,266)
Net defined benefit liabilities (listed as other non-current liabilities)	$ 12,116	19,831

	2023.12.31	2022.12.31
Present value of defined benefit obligations	$ 356	371
Fair value of plan assets	(4,876)	(4,774)
Net defined benefit asset (listed as "other non-current assets")	$ (4,520)	(4,403)

The Combined Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The retirement payment of each employee subject to the Labor Standards Law is calculated based on the base number of years of service and the average salary of the six months before retirement.

a) Composition of plan assets

The retirement fund contributed by the Combined Company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds Utilization, Ministry of Labor (hereinafter referred to as Bureau of Labor Funds), and utilized according to the provisions of "Regulations on Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund"; with regard to the utilization of the funds, lowest earnings in final settlement shall not be less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2023 and 2022, the balances of the Taiwan Bank's special account for labor retirement reserves of the Combined Company were NT$58,325 thousand and NT$55,040 thousand, respectively. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

		2023	2022
Service cost and interest of the period	$	70,468	60,920
Current interest		1,402	456
Remeasurement of net defined benefit liabilities			
— Actuarial profits and losses due to experience adjustments		2,311	2,225
— Actuarial profits or losses arising out of changes in financial assumptions		(8,260)	6,867
Service cost and interest of the end period	**$**	**65,921**	**70,468**

c) Changes in the fair value of planned assets

		2023	2022
Fair value of plan assets at beginning period	$	55,040	48,785
Interest revenue		1,094	362
Remeasurement of net defined benefit liabilities			
—Actuarial profits or losses		80	3,814
Funds contributed by the employer		2,111	2,079
Fair value of plan assets at end period	**$**	**58,325**	**55,040**

d) Change of asset upper limit impacts

The Combined Company did not determine the impact of the maximum number of assets of the defined benefit plans in 2023 and 2022.

e) Expenses recognized in profit or loss

	2023	2022
Net interest on net defined benefit liability assets	$ 308	94
Operating costs	$ 214	39
Operating Expenses	94	55
	$ 308	94

f) Remeasurement of the net defined benefit liability recognized as other comprehensive revenue

	2023	2022
Accumulated balance at beginning period	$ (34,134)	(28,856)
Recognition of the period	6,029	(5,278)
Accumulated balance at the end of the period	$ (28,105)	(34,134)

g) Actuarial assumptions

The significant actuarial assumptions used by the Combined Company to determine the present value of welfare obligations at the financial reporting date are as follows:

	2023.12.31	2022.12.31
Discount rate	1.375%~1.875%	1.5%~2%
Future salary increases rate	3.00%	4.00%

The Combined Company expects to pay NT$2,227 thousand to the defined benefit plan within one year after the reporting date in 2023. The weighted average duration of defined benefit plans is 5.96~16.99 years.

h) Sensitivity analysis

The present value of the defined benefit obligation affected by the changes in the main actuarial assumptions adopted is as follows:

	Impact on defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2023		
Discount rate	(2,243)	2,324
Future salary increases rate	2,254	(2,186)
December 31, 2022		
Discount rate	(2,554)	2,663
Future salary increases rate	2,574	(2,483)

With other assumptions unchanged, above sensitivity analysis analyzes effects of changes in single assumption. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability is the same. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

2) Defined contribution plans

The definite allocation plan of the Company and its domestic subsidiaries is in accordance with the provisions of the Labor Pension Regulations, and is allocated to the labor pension individual account of the Labor Insurance Bureau at a rate of 6% of the labor's monthly salary; foreign subsidiaries pay pensions in accordance with local laws and regulations. Under such plans, after the Combined Company allocates a fixed amount in accordance with regulations, there is no statutory or constructive obligation to pay additional amounts.

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

		2023	2022
Operating costs	$	64,873	56,669
Operating Expenses		43,690	38,524
	$	**108,563**	**95,193**

t. Income tax

1) Income tax expense:

		2023	2022
Income tax expenses of the period			
Accrued in current year	$	134,495	438,708
Adjustments to income tax expenses of precious period		(11,400)	(12,542)
		123,095	426,166
Deferred income tax expenses			
Occurrence and reversal of temporary differences		(41,409)	87,528
Changes in unrecognized temporary differences		13,594	124
Unrecognized loss carryforwards changes		31,638	(43,382)
		3,823	44,270
Income tax expense	**$**	**126,918**	**470,436**

There was no income tax that was directly recognized in equity or other comprehensive income for the Combined Company in 2023 and 2022.

The reconciliation of income tax expenses and income before income tax was as follows:

	2023	2022
Profit before tax	$ 630,709	1,755,177
Income tax calculated by domestic tax rate of the Company's domicile	$ 126,142	351,035
Impact of tax rate difference in foreign administrative areas	(1,868)	65,455
Domestic investment gains recognized under equity method	(32,412)	(57,096)
Non-deductible impairment and expenses	13,208	15,759
Gains from tax exemption	(605)	(58,668)
Changes in unrecognized temporary differences	13,594	124
Unrecognized loss carryforwards changes	31,638	(43,382)
Investment deduction	(11,900)	(51,904)
Previous income tax adjustment	(11,400)	(12,542)
Land value increment tax	-	99,076
Disposal of overseas property interests	-	179,181
Others	521	(16,602)
Income tax expense	$ 126,918	470,436

2) Deferred tax assets and liabilities

a) Unrecognized deferred tax assets

Unrecognized deferred tax assets:

	2023.12.31	2022.12.31
Deductible loss	$ 195,145	174,699
Summary amount of temporary differences related to investment in subsidiaries	30,146	2,898
	$ 225,291	177,597

For the temporary difference related to the investment subsidiary, since the Combined Company can control the time when the temporary difference turns back and is convinced that it will not be in the foreseeable future reverted, therefore, the related deferred tax assets were not recognized; in addition, the Company and some of its subsidiaries assessed on each reporting date that it is not likely to have sufficient taxable income in the future for loss deduction, so the relevant deferred income tax assets have not been recognized.

As of December 31, 2023, the loss deduction and tax amount of the Combined Company's unrecognized deferred tax assets, the deduction period is as follows:

Amount of deductible losses	The number of losses that have not been deducted from the deduction of tax	Final year that tax may be deducted
$ 38,045	7,951	2024
47,661	10,395	2025
77,876	16,180	2026
209,693	46,907	2027
162,222	39,124	2028
157,612	38,335	2029
31,441	6,288	2030
17,018	3,404	2031
11,238	2,248	2032
100,770	24,313	2033
$ 853,576	**195,145**	

b) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred income tax assets:

	Allowance for loss of inventory depreciation	Deductible loss	Fixed asset tax differential	Others	Total
January 1, 2023	$ 96,519	33,082	37,530	95,689	262,820
(Debit) credit revenue statement	(17,496)	2,354	9,186	(3,929)	(9,885)
Acquisition of business mergers	4,637	-	-	10,645	15,282
Exchange differences arising on translation of financial statements of foreign operations	-	-	(142)	-	(142)
December 31, 2023	$ 83,660	35,436	46,574	102,405	268,075
January 1, 2022	$ 54,827	29,038	37,755	61,915	183,535
(Debit) credit revenue statement	41,692	4,044	(349)	33,774	79,161
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-
December 31, 2022	$ 96,519	33,082	37,530	95,689	262,820

Deferred tax liabilities:

	Share of profit from subsidiaries accounted under equity method	Reserve for land value increment tax	Acquisition of businesses	Others	Total
January 1, 2023	$ 249,077	-	15,064	4,043	268,184
Acquisition of businesses	-	54,767	175,084	4,602	234,453
Debit (credit) income statement	(1,758)	-	(9,687)	5,383	(6,062)
December 31, 2023	**$ 247,319**	**54,767**	**180,461**	**14,028**	**496,575**
January 1, 2022	$ 116,231	2,780	17,390	8,334	144,735
Debit (credit) income statement	132,846	(2,780)	(2,344)	(4,291)	123,431
Exchange differences arising on translation of financial statements of foreign operations	-	-	18	-	18
December 31, 2022	**$ 249,077**	**-**	**15,064**	**4,043**	**268,184**

As of December 31, 2023, the Combined Company has been recognized as deferred income tax assets for the loss deduction and its tax amount. The deduction period is as follows:

Amount of deductible losses	The number of losses that have not been deducted from the deduction of tax	Final year that tax may be deducted
$ 12,863	2,573	2024
10,050	2,010	2025
28,255	5,651	2026
10,639	2,128	2027
23,067	4,613	2028
56,179	11,236	2029
36,127	7,225	2030
$ 177,180	**35,436**	

3) Income tax approved

The ROC income tax authorities have examined the Company’s income tax returns up to 2021.

u. Capital and other equity

1) Common stock

As of December 31, 2023 and 2022, the total value of nominal capital stock amounted to NT$4,800,000 thousand for both years, with a par value of NT$10 per share, consisting of 480,000 thousand shares each year. There were 320,675 thousand of ordinary shares being issued.

2) Capital reserve

The details of capital reserve were as follows:

	2023.12.31	2022.12.31
Changes in net equity of associates accounted under equity method	**$ 192,352**	**192,352**

In accordance with the Company Act, the capital reserve 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 reserve may be capitalized, and the combined amount of any portions capitalized may not exceed 10% of the paid-in capital each year.

3) 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 legal reserve should be raised, and the special 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 legal reserve, and after the special 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 there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in amount.

b) Special reserve

According to the regulations of the Financial Supervisory Commission, when the Company distributes the distributable surplus, the net deduction of other shareholders' equity in the current year is accounted for. This amount is then included in the undistributed earnings of the current period, excluding after-tax net profit, and special reserves are replenished from the undistributed earnings of the current and previous periods. For deductions in other shareholders' equity accumulated in the previous period, the same amount of special reserve shall not be distributed from the undistributed earnings 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 2022 and 2021 distributions of earnings were resolved at the directors' meetings held on February 23, 2023 and May 3, 2022, respectively, the cash dividends distributions are as follows:

		2022		2023	
		Earnings Per Share (NT$)	**Amount**	**Earnings Per Share (NT$)**	**Amount**
Dividends to common shareholders:					
Cash	$	2.00	641,349	1.50	481,012

The 2023 distributions of earnings were resolved at the directors' meetings held on February 22, 2024, the cash dividends distributions are as follows:

		2023	
		Earnings Per Share (NT$)	**Amount**
Dividends to common shareholders:			
Cash	$	1.20	384,809

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

4) Other equity (after tax)

		Exchange differences arising on translation of financial statements of foreign operations	**Remeasurement of defined benefit plans**	**Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income**	**Total**
January 1, 2023	$	(5,823)	(34,207)	(28,805)	(68,835)
The exchange differences yielded by net assets of overseas operating institutions:					
The Combined Company		(27,394)	-	-	(27,394)
Associates		(11,278)	-	-	(11,278)
Remeasurement of defined benefit plans		-	6,029	-	6,029
Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income		-	-	8,794	8,794
Balance as of December 31, 2023	$	(44,495)	(28,178)	(20,011)	(92,684)
January 1, 2022	$	(51,470)	(28,929)	(22,910)	(103,309)
The exchange differences yielded by net assets of overseas operating institutions:					
The Combined Company		24,476	-	-	24,476
Associates		16,387	-	-	16,387
Remeasurement of defined benefit plans		-	(5,278)	-	(5,278)
Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income		-	-	(5,895)	(5,895)
Proceeds from the disposal of associates accounted for using equity method		4,784	-	-	4,784
Balance as of December 31, 2022	$	(5,823)	(34,207)	(28,805)	(68,835)

5) Non-controlling equity (after tax)

		2023	2022
Balance at the beginning of the year	$	202,145	113,273
Acquisition of subsidiaries		3,014,592	-
Acquisition of partial equity of subsidiaries		(4,544)	(5,750)
Increase in non-controlling interests		-	75,045
Difference between prices of shares acquired from subsidiaries and book value		1,123	30,506
Cash dividends distributed by subsidiaries to non-controlling interests		(343,000)	-
Capital contribution by non-controlling interest shareholders		2,016	-
Changes in ownership interests in subsidiaries		301	-
Share attributable to non-controlling interests:			
Net profit (loss) of the period		89,439	(10,929)
Exchange differences arising on translation of financial statements of foreign operations		(2,249)	-
	$	2,959,823	202,145

v. Earnings per share

1) Basic earnings per share

		2023	2022
Net profit attributable to holders of common equity of the Company	$	414,352	1,295,670
The weighted average number of shares outstanding (thousand shares)		320,675	320,675
Basic earnings per share (NT$)	$	1.29	4.04

2) Diluted earnings per share

		2023	2022
Net profit attributable to holders of common equity of the Company	$	414,352	1,295,670
The weighted average number of shares outstanding (thousand shares)		320,675	320,675
Effect of potentially dilutive shares of common stocks (thousand shares):			
Impact of employee compensation		2,175	5,780
The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact)		322,850	326,455
Diluted earnings Per Share (NT$)	$	1.28	3.97

w. Revenue from contracts with customers

1) Disaggregation of revenue

	2023		
	Film sheet segment	Medical segment	Total
Primary geographical markets:			
China	$ 8,314,115	1,126,581	9,440,696
Taiwan	3,905,651	963,678	4,869,329
United States	121	694,720	694,841
Japan	63,776	866,014	929,790
Others	92,427	1,100,440	1,192,867
	$ 12,376,090	4,751,433	17,127,523
Main products/services:			
Functional sheet	$ 12,376,090	-	12,376,090
Medical products	-	4,751,433	4,751,433
	$ 12,376,090	4,751,433	17,127,523

	2022		
	Film sheet segment	Medical segment	Total
Primary geographical markets:			
China	$ 9,161,715	994,325	10,156,040
Taiwan	3,942,689	519,287	4,461,976
Others	386,026	536,423	922,449
	$ 13,490,430	2,050,035	15,540,465
Main products/services:			
Functional sheet	$ 13,490,430	-	13,490,430
Medical products	-	2,050,035	2,050,035
	$ 13,490,430	2,050,035	15,540,465

2) Contract balances

	2023.12.31	2022.12.31	111.01.01
Notes receivable and accounts receivable (including related parties)	$ 3,153,275	3,043,260	2,881,481
Deduction: Allowance for loss	(21,749)	(33,711)	(19,316)
Total	$ 3,131,526	3,009,549	2,862,165

	2023.12.31	2022.12.31	111.01.01
Contract liabilities (accounted under other current liabilities)	$ 63,386	56,633	40,529

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

Amount of contract liabilities for the period starting from January 1, 2023 and 2022, have been recognized as income in 2023 and 2022 were NT$50,926 thousand and NT$37,384 thousand, respectively.

x. 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.

In 2023 and 2022, the Company's employee bonus was set aside for NT$52,739 thousand and NT$165,978 thousand, respectively, and the director's bonus was set aside for NT$3,955 thousand and NT$12,448 thousand, which are estimated on the basis of the Company's pre-tax net profit before deducting the bonus of employees and directors in each period multiplied by the distribution percentage of the bonus of employees and directors stipulated in the Articles of Incorporation of the Company, and reported as the operating cost or expenses of 2023 and 2022. Upon any variance between the distribution of next year and the estimated amount, a change of accounting estimate shall follow and recognize in the profit or loss of next year. The compensation for employees and directors of the Company decided by the Board of Directors is not different from the estimated amount in the Company's individual financial reports for the year of 2023 and 2022, and it is issued in cash. For the relevant information, please refer to the public information observatory Inquire.

y. Non-Operating Profit and Loss

1) Interest revenue

	2023	2022
Interests on bank deposits	$ 30,298	3,615

2) Other revenue

	2023	2022
Government subsidy revenue	$ 67,548	19,872
Dividend revenue	3,024	1,680
	$ 70,572	21,552

3) Other gains and losses

	2023	2022
Disposal of property, plant and equipment interests (losses)	$ 723	(12,513)
Disposal of investments profits	-	64,099
Disposal of non-current assets held for sale profits (Note 6 (7))	-	893,148
Profits from foreign currency exchange	97,269	302,538
Net losses from financial assets (liabilities) measured at fair value through profits (losses) - Derivative instruments	(134,512)	(292,307)
Others	49,124	19,707
	$ 12,604	974,672

4) Financial costs

	2023	2022
Interest expenses of bank loans	$ (113,390)	(49,632)
Lease liabilities	(8,773)	(1,938)
	$ (122,163)	**(51,570)**

z. Types of financial instruments and fair value

1) Types of financial instruments

a) Financial assets

	2023.12.31	2022.12.31
Financial assets at fair value through profit or loss:		
Foreign exchange forward contracts	$ 28,705	17,316
Exchange contracts	36,591	-
Subtotal	65,296	17,316
Financial assets at fair value through other comprehensive income	159,847	151,053
Financial assets at amortized cost:		
Cash and Cash Equivalents	619,690	653,134
Notes receivable, accounts receivable, and other receivables (including related parties)	3,211,787	3,150,678
Other financial assets - current and non-current	775,344	52,052
Guarantee deposits paid	16,367	26,268
Subtotal	4,623,188	3,882,132
Total	**$ 4,848,331**	**4,050,501**

b) Financial liabilities

	2023.12.31	2022.12.31
Financial liabilities at fair value through profit and loss:		
Exchange contracts	$ -	1,800
Financial liabilities measured at amortized cost:		
Short-term borrowings	1,490,000	1,051,460
Accounts payable and other payables (including related parties)	4,238,944	4,011,849
Long-term borrowings (including loans due within one year)	4,798,841	1,265,488
Lease liabilities - current and non-current (including related parties)	434,417	526,908
Guarantee deposits received	11,117	12,923
Subtotal	10,973,319	6,868,628
Total	**$ 10,973,319**	**6,870,428**

2) Information of fair value

a) Financial instruments that is 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.

b) 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 Level 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:

i. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

ii. Level 2: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., price) or indirectly (i.e., derived from prices).

iii. Level 3: Level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable parameters).

	2023.12.31				
		Fair value			
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Foreign exchange forward contracts	$ 28,705	-	28,705	-	28,705
Exchange contracts	36,591	-	36,591	-	36,591
	$ 65,296	-	65,296	-	65,296
Financial assets at fair value through other comprehensive income:					
Stocks listed in the emerging stock market in Taiwan	$ 63,840	-	63,840	-	63,840
Non-listed Stocks	96,007	-	-	96,007	96,007
	$ 159,847	-	63,840	96,007	159,847

	2022.12.31				
		Fair value			
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Foreign exchange forward contracts	$ 17,316	-	17,316	-	17,316
Financial assets at fair value through other comprehensive income:					
Stocks listed in the emerging stock market in Taiwan	$ 54,549	-	54,549	-	54,549
Non-listed Stocks	96,504	-	-	96,504	96,504
	$ 151,053	-	54,549	96,504	151,053
Financial liabilities at fair value through profit and loss:					
Exchange contracts	$ (1,800)	-	(1,800)	-	(1,800)

3) The assessment methods and assumptions followed for assessing fair value

a) 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.

b) 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.

4) Fair value level and transfer

The Combined Company did not have any financial assets and liabilities transferred in the fair value hierarchy in 2023 and 2022.

5) Statement of changes in Level 3 fair value hierarchy

Financial assets at fair value through other comprehensive income:

		2023	2022
Balance at the beginning of the year	$	96,504	9,187
Purchase of the period		-	92,271
Changes in other comprehensive income recognized in the current period		(497)	(4,954)
Balance at the end of the year	**$**	**96,007**	**96,504**

aa. Financial risk management

The Combined Company is exposed to credit risk, liquidity risk, and market risk (including exchange rate risk, interest rate risk, and equity instrument price risk) due to its business activities. This note demonstrates the risk information of the aforementioned various risks of the Combined Company, and the Combined Company's policies and procedures for measuring and managing these risks, and quantitative disclosure.

The Board of Directors of the Combined Company is responsible for developing and controlling the risk management policy of the Combined Company. The establishment of the risk management policy is to identify and analyze the risks faced by the Combined Company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are reviewed regularly to reflect changes market conditions and the Combined Company's activities.

The management of the Combined Company supervises and reviews financial activities in accordance with relevant regulations and internal control systems. Internal auditors play a supervisory role and regularly report the review results to the Board of Directors.

1) Credit risk

Credit risk refers to the risk of the financial loss of the Combined Company due to the failure of the counterparty to perform the contractual obligations. As of the financial report date, the main potential credit risk of the Combined Company comes from financial assets such as bank deposits and accounts receivable from customers. The book value of the Combined Company's financial assets represents the maximum credit risk amount.

The deposits and derivative financial products of the Combined Company are traded in banks with good credit, and no significant credit risk will arise.

Due to the characteristics of the industry, the film sheet products of the Combined Company are concentrated in a small number of customers, which makes the Combined Company have a significant concentration of credit risk. As of December 31, 2023 and 2022, the ratio of the top five customers in the balance of accounts receivable (including related parties) was 58% and 40%, respectively. The Combined Company has established a credit policy, according to which each customer's credit status is analyzed individually to determine its credit limit, and the customer's financial status is continuously evaluated on a regular basis and insurance is used to reduce risks.

2) Liquidity Risks

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.

As of December 31, 2023 and 2022, the merged company had unused loan limits of NT$15,927,899 thousand and NT$13,959,699 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.

	Contract cash flow	Within 6 months	6-12 months	1-5 years	More than 5 years
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,499,828	996,134	503,694	-	-
Accounts payable (including related parties)	2,820,685	2,820,685	-	-	-
Other payables (including related parties)	1,418,259	1,418,259	-	-	-
Long-term borrowings (including loans due within one year) (Floating rate)	5,084,845	174,296	294,195	3,785,468	830,886
Lease liabilities (including related parties)	451,664	58,190	53,327	324,504	15,643
Guarantee deposits received	11,117	1,915	1,742	3,044	4,416
	$ 11,286,398	5,469,479	852,958	4,113,016	850,945
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,056,403	854,991	201,412	-	-
Accounts payable (including related parties)	2,576,127	2,576,127	-	-	-
Other payables (including related parties)	1,435,722	1,435,722	-	-	-
Long-term borrowings (including loans due within one year) (Floating rate)	1,327,529	68,641	130,497	886,503	241,888
Lease liabilities (including related parties)	552,720	54,080	54,086	423,025	21,529
Guarantee deposits received	12,923	3,253	1,093	4,600	3,977
	$ 6,961,424	4,992,814	387,088	1,314,128	267,394
Derivative financial instruments					
Exchange contracts - Net delivery:	$ 1,800	1,800	-	-	-

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.

3) Market risk

Market risk refers to the risk that changes in market prices, such as exchange rate, interest rate, and equity instrument price will affect the earnings of the Combined Company or the value of the financial instruments it holds. Financial risk management aims to manage the level of exposure to market risk within an acceptable range and maximize return on investment.

In order to manage market risks, the Combined Company engages in derivative transactions, and its use is regulated by the policies adopted by the Board of Directors. Generally, the Combined Company adopts hedging operations to manage profit and loss fluctuations.

a) Exchange Rate Risk

The Combined Company is exposed to exchange rate risk arising out of sales, procurement, and loan transactions through the functional currency valuation of the Group's enterprises. These non-functional currency transactions are mainly denominated in USD and JPY. The functional currency of the Group enterprises is mainly NTD, followed by RMB and USD.

The hedging strategy of the Combined Company is to sign forward foreign exchange contracts and exchange contracts to manage the exchange rate risk of the net foreign currency positions generated by the sales and purchase transactions that have occurred.

i. Risk and sensitivity analysis of 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: Thousands

	2023.12.31				
	Foreign Currency	**Exchange rate**	**New Taiwan Dollar**	**Exchange rate changes**	**Profit and loss impact**
Financial assets					
USD	$ 130,563	30.750	4,014,812	1%	40,148
JPY	102,223	0.2175	22,234	1%	222
Financial liabilities					
USD	52,494	30.750	1,614,191	1%	16,142
JPY	6,753,814	0.2175	1,468,955	1%	14,690

	2022.12.31				
	Foreign Currency	**Exchange rate**	**New Taiwan Dollar**	**Exchange rate changes**	**Profit and loss impact**
Financial assets					
USD	$ 129,516	30.730	3,980,027	1%	39,800
JPY	39,987	0.2330	9,317	1%	93
Financial liabilities					
USD	52,762	30.730	1,621,376	1%	16,214
JPY	5,803,273	0.2330	1,352,163	1%	13,522

As the Combined Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the information of foreign exchange gains (losses) in 2023 and 2022 (including both realized and unrealized), please refer to Note 6 (25).

b) Interest rate risk

The Combined Company's bank borrowings are all based on floating interest rates. In response to the risk of interest rate changes, the Combined Company mainly adopts regular assessments of bank and currency borrowing rates, and maintains good relationships with financial institutions to obtain lower financing costs. Simultaneously, it cooperates with methods such as strengthening working capital management to reduce the degree of dependence on bank loans and diversify the risk of interest rate changes.

The sensitivity analysis below is determined based on the interest rate risk of non-derivative instruments on the reporting date. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year. If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the Combined Company's net profit before tax for the year of 2023 and 2022 will decrease or increase by NT$62,888 thousand and NT$23,169 thousand, respectively, which was due to the floating interest rate borrowings of the Combined Company.

c) Price of equity instruments

The stocks of domestic listed companies and non-listed companies held by the Combined Company are subject to the risk of price changes in the equity securities market. The Combined Company manages and monitors investment performance based on fair value.

The sensitivity analysis of the stock price risk of holding the aforementioned domestic listed companies and non-listed companies is based on the fair value changes on the reporting date. If the price of equity instruments increases/decreases by 5%, the amount of other comprehensive income in 2023 and 2022 will increase/decrease by NT$7,992 thousand and NT$7,553 thousand.

bb. Capital management

The Combined Company plans the capital management of the Combined Company based on the characteristics of the current operating industry and the future development of the Company, as well as factors such as changes in the external environment, to ensure that the Company has the necessary financial resources and operating plans to meet the future needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures.

cc. Non-cash investing and financing activities

1) For details of the acquisition of the right-of-use assets by the Combined Company through leasing in 2023 and 2022, please refer to Note 6 (12).

2) Only part of the received cash of investments activities:

Disposal of non-current assets held for sale

	2023	2022
Disposal of non-current assets held for sale profits	$ -	1,355,725
Deduction: Received in advance at the beginning of the year	-	(84,000)
Cash received of the period	$ -	1,271,725

Merger of subsidiaries

	2023	2022
Acquisition prices of subsidiaries	$ 3,161,999	-
Deduction: Payables at the end of the year	-	-
Cash and cash equivalents recorded on the acquisition date of subsidiaries	(1,380,961)	-
Net cash inflows from merger of subsidiaries of the period	$ 1,781,038	-

3) The adjustment of liabilities from financing activities is as follows:

	2023.1.1	Cash flow	Non-cash changes: Effect from subsidiaries the first time	Non-cash changes: Evaluation adjustment	2023.12.31
Short-term borrowings	$ 1,051,460	438,540	-	-	1,490,000
Long-term borrowings (including loans due within one year)	1,265,488	3,541,720	-	(8,367)	4,798,841
Guarantee deposits received	12,923	(2,173)	367	-	11,117
Lease liabilities (including related parties)	526,908	(103,645)	11,154	-	434,417
Total liabilities from financing activities and capitalization	$ 2,856,779	3,874,442	11,521	(8,367)	6,734,375

	2022.1.1	Cash flow	Non-cash changes: Addition on lease liabilities	Non-cash changes: Evaluation adjustment	2022.12.31
Short-term borrowings	$ 586,849	464,611	-	-	1,051,460
Long-term borrowings (including loans due within one year)	1,306,694	(43,014)	-	1,808	1,265,488
Guarantee deposits received	25,912	(12,989)	-	-	12,923
Lease liabilities (including related parties)	152,033	(99,874)	474,749	-	526,908
Total liabilities from financing activities and capitalization	$ 2,071,488	308,734	474,749	1,808	2,856,779

7. Related Party Transactions

a. The names and relationships of related parties

Name of related parties	Relationship with the Combined Company
Qisda Technology Co., Ltd. (Qisda)	Parent company of the Combined Company
Visco Vision Inc. (Visco Vision)	Affiliated company of the Combined Company
MLK Bioscience Co., Ltd.	Affiliated company of the Combined Company
Visco Technology Sdn. Bhd.(VVM)	A subsidiary of Visco Vision
Other related parties:	
BenQ Foundation for Culture and Education	The actual related parties of Qisda
Darfon Electronics Co., Ltd. (Darfon)	Associates of Qisda
AU Optronics Corporation (AUO)	The corporate shareholder of Qisda accounting under equity method
AU Optronics (Suzhou) Corporation (AUS)	Subsidiary of AUO
AU Optronics (Kunshan) Corporation	Subsidiary of AUO
AU Optronics (Xiamen) Corporation (AUX)	Subsidiary of AUO
Darwin Precision Industry (Xiamen) Co., Ltd.	Subsidiary of AUO
Darwin Precision Industry Corporation	Subsidiary of AUO
Fuxun Optoelectronics Industry (Suzhou) Co., Ltd.	Subsidiary of AUO
AUO Display Plus Corp.	Subsidiary of AUO
Jector Digital Corporation	Subsidiary of AUO
Suzhou BenQ Medical Hospital (SMH)	Subsidiary of Qisda
Aon Medical Equipment Trading (Suzhou) Co., Ltd.	Subsidiary of Qisda
Lily-Medical Corporation	Subsidiary of Qisda
Darly Venture Inc.	Subsidiary of Qisda
Darly Consulting Corporation	Subsidiary of Qisda
BenQ Asia Pacific Corporation	Subsidiary of Qisda
BenQ Asia Pacific Singapore Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific Thailand Co., Ltd.	Subsidiary of Qisda
ACE Energy Co., Ltd	Subsidiary of Qisda
Metaguru Corporation (formerly known as BenQ Guru Corporation)	Subsidiary of Qisda
BenQ Corporation	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd.	Subsidiary of Qisda
Partner Tech Corp.	Subsidiary of Qisda
BenQ Medical Technology Corporation	Subsidiary of Qisda
BenQ AB DentCare Corporation	Subsidiary of Qisda

Name of related parties	Relationship with the Combined Company
BenQ Healthcare Corporation	Subsidiary of Qisda
BenQ Business Solution (Shanghai) Co., Ltd.	Subsidiary of Qisda
Suzhou Qisda Electronics Co., Ltd.	Subsidiary of Qisda
Metaage Corporation	Subsidiary of Qisda
Ace Pillar Co., Ltd.	Subsidiary of Qisda
Data Image Corporation	Subsidiary of Qisda
Aewin Technologies Co., Ltd.	Subsidiary of Qisda
AdvancedTEK International Corp.	Subsidiary of Qisda
Global Intelligence Network Co., Ltd.	Subsidiary of Qisda
Simula Technology Inc.	Subsidiary of Qisda
BenQ Medical Equipment (Shanghai) Co., Ltd.	Subsidiary of Qisda
Alpha Networks Inc.	Subsidiary of Qisda
Epic Cloud Co., Ltd.	Subsidiary of Qisda
DSIGroup Co., Ltd.	Subsidiary of Qisda
Actian Star Technology Co., Ltd.	Subsidiary of Qisda
Standard Technology Corporation	Subsidiary of Qisda
Concord Medical Co., Ltd	Subsidiary of Qisda
Eastech Co., Ltd	Subsidiary of Qisda
Diva Laboratories, Ltd	Subsidiary of Qisda

b. Significant transactions with related parties

1) Sales revenue

	2023	2022
Other related parties:		
AUO	$ 3,387,870	3,283,317
AUS	925,859	953,580
AUX	801,710	826,266
Others	22,822	20,589
Associate - VVM	164,588	169,156
Other associates	502	765
Parent company	489	-
	$ 5,303,840	5,253,673

The transaction price sold to related parties is not significantly different from the general sales price, except that there is no general transaction price to compare due to the different specifications of some commodities. The collection period is 60~120 days, which is not significantly different from ordinary transactions.

2) Purchases

	2023	2022
Associates - Visco Vision	$ 386,076	351,033
Other associates	-	10
Other related parties	-	65
	$ 386,076	351,108

The price at which the Combined Company purchases goods from related parties cannot be compared with the general transaction price due to different product specifications. It is performed in accordance with the agreed purchase price and conditions.

3) Property transaction

The acquisition prices of various assets acquired by the Combined Company from related parties are summarized as follows:

Related parties category	Account item	2023	2022
Parent company	Intangible assets	$ 150	2,349
Other related parties	Intangible assets	37,882	8,084
Other related parties	Property, plant and equipment	1,645	7,720
		$ 39,677	18,153

The Combined Company sold the machinery and equipment to other related parties in January 2022 at a selling price of NT$320 thousand, resulting in a disposal loss of NT$2,405 thousand. As of December 31, 2022, the relevant price has been collected.

4) Leases

The Combined Company leases factories and offices from AUO, and the rent is paid on a monthly basis with reference to the rent prices in the neighboring areas. In 2022, the Combined Company signed a new contract with AUO to rent the office from them, and recognized the same amount as right-of-use assets and lease liabilities was amounted to NT$474,749 thousand. Recognized interest expense in 2023 and 2022 were NT$7,742 thousand and NT$920 thousand, respectively, the balance of lease liabilities as of December 31, 2023 and 2022 were NT$382,780 thousand and NT$474,526 thousand, respectively

The Combined Company leases workshops and offices to other related parties, with rental income (recorded under operating income) summarized as follows:

	2023	2022
Other related parties	$ 1,404	1,430

5) Donation

The Combined Company has contributed donation to BenQ Foundation for Culture and Education in 2023 and 2022, with the amount of NT$2,500 thousand and NT$3,000 thousand, respectively.

6) Operating costs and expenses

The detailed breakdown of operating costs and expenses incurred by the Company for services such as technical consulting, marketing promotion, and advances made by related parties is as follows:

Account item	Related parties category		2023	2022
Operating costs	Parent company	$	781	-
	Other related parties		340	530
Operating Expenses	Parent company		8,992	6,391
	Other related parties		12,085	5,220
	Associates		96	-
		$	22,294	12,141

7) Amounts receivable from related parties

In summary, the details of the accounts receivable from related parties of the Combined Company are as follows:

Account item	Related parties category		2023.12.31	2022.12.31
Accounts receivable - related parties, net	Other related parties - AUO	$	770,725	495,602
	Other related parties - AUS		69,998	155,639
	Other related parties - AUX		51,067	165,969
	Other related parties - others		8,003	4,406
	Associate - VVM		29,811	31,231
	Other associates		340	299
	Parent company		509	-
	Subtotal		930,453	853,146
Other receivables - related parties	Other related parties		23	10
	Parent company		31	-
	Subtotal		54	10
		$	930,507	853,156

The Combined Company sells the accounts receivable from related parties to the financial institution in a non-recourse manner in accordance with the agreement of the accounts receivable sale contract signed with the financial institution. The relevant information related to the transfer of creditor’s rights in accounts receivable that meets the derecognition conditions is as follows:

2023.12.31						
Underwriter	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters
CTBC Bank Co., Ltd.	$ 306,666	-	276,000	30,666	1.97%	N/A

2022.12.31						
Underwriter	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters
Mega International Commercial Bank	$ 512,167	-	460,950	51,217	5.44%	Guaranteed Promissory Note 150,000
CTBC Bank Co., Ltd.	361,931	-	325,738	36,193	5.10%	N/A -
	$ 874,098	-	786,688	87,410		150,000

8) Payables to related parties

In summary, the details of the amounts due to related parties by the Combined Company are as follows:

Account item	Related parties category	2023.12.31	2022.12.31
Accounts payable - related parties	Associates - Visco Vision	$ 54,473	34,905
Other payables - related parties	Other related parties	28,128	19,987
	Parent company	1,659	100
	Associates	-	11
	Subtotal	29,787	20,098
		$ 84,260	55,003

c. Compensation of major managerial personnel

	2023	2022
Short-term employee benefits and compensation	$ 50,825	68,360
Retirement benefits	324	324
	$ 51,149	68,684

8. Pledged Assets

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

Asset name	Purpose of Pledge	2023.12.31	2022.12.31
Land, buildings and structures	Pledges of long-term borrowings	$ 605,565	617,584
Other financial assets - current	Customs deposits	9,675	10,464
Other financial assets - current - deposit certificates	Project guarantee deposits	4,608	4,608
Other financial assets - non-current - deposit certificates	Performance guarantee deposits	9,252	-
		$ 629,100	632,656

9. Material Contingent Liabilities and Unrecognized Contractual Commitments

Significant unrecognized contract commitment:

	2023.12.31	2022.12.31
Unused letters of credit issued	$ 630,311	1,552,960
Signed and unpaid major engineering and equipment payments	2,803,717	2,181,544

10. Significant Loss from Disaster: None.

11. Significant Subsequent Events: None.

12. Others

a. The functions of employee benefits, depreciation, and amortization expenses are summarized as follows:

Types of functions / Types of functions	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salary expenses	1,467,409	922,570	2,389,979	1,561,257	922,945	2,484,202
Labor insurance and national health insurance	135,984	71,989	207,973	121,605	62,797	184,402
Pension expenses	65,087	43,784	108,871	56,708	38,579	95,287
Other employee benefits expenses	93,877	38,874	132,751	80,863	32,182	113,045
Depreciation expenses	748,110	140,787	888,897	498,786	115,739	614,525
Amortization expenses	20,211	37,134	57,345	16,212	40,431	56,643

13. Supplementary Disclosures

a. Information on significant transactions

In accordance with the requirements of the regulations in 2023, the Combined Company shall re-disclose the relevant information of significant transactions as follows：

Notes to the consolidated financial report of BenQ Materials Corporation and its subsidiaries (continued)

1) Loaning funds to others:

Unit: NTD Thousands

No.	Lending company	Lending subject	Contact accounts	Whether he/she is related party	Highest endorsement or guarantee amount for current period	Balance at the end of the year	Actual amount expenditure	Interest rate range	Nature of financing (Note 4)	Transaction amount	Reason for financing	Provision for allowance for loss amount	Collateral		Limit on loans granted to a single party	Fund loan and total limit	Note
													Name	Value			
1	BMS	BenQ Material (Wuhu) Co., Ltd.	Other receivables - related parties	Yes	1,180,045 (RMB 265,000)	1,149,146 (RMB 265,000)	881,590 (RMB 203,300)	1.30%	2	-	Operating turnover	-		-	1,907,217	1,907,217	(Note 1)
2	BMS	BenQ Medical Technology (Suzhou) Co., Ltd.	Other receivables - related parties	Yes	444,170 (RMB 100,000)	433,640 (RMB 100,000)	86,294 (RMB 19,900)	1.30%	2	-	Operating turnover	-		-	1,907,217	1,907,217	(Note 1)
3	Web-Pro	Web-Pro(Vietnam) Co., Ltd.	Other receivables - related parties	Yes	860,000	215,250 (USD 7,000)	123,000 (USD 4,000)	1.00% ~2.87%	2	-	Operating turnover	-		-	630,668	1,261,337	(Note 2)
4	DTB	BenQ Medical Technology (Suzhou) Co., Ltd.	Other receivables - related parties	Yes	22,209 (RMB 5,000)	21,682 (RMB 5,000)	16,045 (RMB3,700)	1.30%	2	-	Operating turnover	-		-	37,864	37,864	(Note 3)

Note1: 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.

Note2: The maximum limit for the total amount of the Web-Pro fund loan is set at 40% of the most recent audited net asset value of the financial statements, certified by the accountant. Individual loan amounts shall not exceed 20% of the most recent audited net asset value of the financial statements, certified by the accountant.

Note3: The total amount of the DTB 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 DTB with the certificate of accountant.

Note4: Those who have business dealings with the nature of capital loans are 1, and 2 for those who require short-term financing.

Note5: It has already been written off during compilation of the Consolidated Financial Statements.

2) Endorsements/guarantees provided for others: None.

3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint equity):

Name of Company Held	Type and Name of Marketable Securities	Relationship with the securities issuer	Listed accounts	Ending Balance				Highest Ownership Level or Capital Invested during the Period		Note
				Shares	Book amount	%	Fair value	Shares	%	
The Company	Shares of Biodenta Corporation		Financial assets at fair value through profit or loss	225	(Note)	2.50%	-	225	2.50%	-
The Company	Shares of Lagis Corporation	-	Financial assets at fair value through other comprehensive income	1,680	63,840	5.25%	63,840	1,680	5.25%	-
The Company	Shares of Summed Corporation	-	Financial assets at fair value through other comprehensive income	300	1,929	2.73%	1,929	300	2.73%	-
The Company	Shares of Cuumed Catheter Medical Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,429	94,078	8.76%	94,078	3,429	11.27%	-

Note1: It was recognized in full as impairment losses.

4) The cumulative amount of purchase or selling the same securities reaches NT$300 million or more than 20% of the paid-in capital:

Companies involved in purchasing and selling	Type and Name of Marketable Securities	Listed accounts	Counterparty	Relationship	Beginning Balance		Purchase		Sell				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Sale Price	Carrying Cost	Disposal of gains/losses	Shares	Amount
The Company	Web-Pro	Investments accounted for using the equity method	Previous shareholders of Web-Pro	N/A	-	-	35,700	3,161,999	-	-	-	-	35,700	2,908,093
Web-Pro	WPSG	Investments accounted for using the equity method	-	Parent company and subsidiaries	15,000	393,845	15,000	444,425 (Note 2)	-	-	-	-	30,000	765,713 (Note 3)
WPSG	WPVN	Investments accounted for using the equity method	-	Parent company and subsidiaries	-	367,385	-	465,103 (Note 2)	-	-	-	-	-	758,203 (Note 3)

Note1: This represents the amount adjusted for the current period's profit or loss recognized under the equity method, dividend distributions, and other related adjustments.

Note2: This represents cash capital increase of subsidiary companies.

Note3: It has already been written off during compilation of the Consolidated Financial Statements.

5) The amount of properties acquired reaches NT$ 300 million or more than 20% of the paid-in capital:

Companies acquiring properties	Name of asset	Date of occurrence	Transaction amount	Price payment situation	Counterparty	Relationship	The counterparty is a related party, and its previous transferred data: Everyone	Relationship with publisher	Transfer date	Amount	Reference basis for price determination	Objective of acquisition and usage	Other agreements
The Company	Housing and structures	Transaction signed on July 31, 2023	669,900 (tax included)	Unpaid	Go-In Engineering Co., Ltd.	-	The Company's Plant in Yunke is under construction for production and operation	-	-	-	Inquiry & bargain	The Company's Plant in Yunke is under construction for production and operation	-

6) The amount of disposition of properties reaches NT$300 million or more than 20% of the paid-in capital: None.

7) Those who purchase or sell with a related party in the amount of NT$100 million or more than 20% of the paid-in capital:

Vendor/ Customer	Counterparty	Relationship	Transaction details: Purchase (sale) goods	Amount	Ratio to total purchase (sell)	Credit period	Unusual Transaction Terms and Reasons: Price	Credit period	Notes and accounts receivable (paid): Balance	Ratio to total notes or accounts receivable(payable)	Note
The Company	AUO	Other related parties	Sale	3,387,870	24%	OA90	(Note 1)	(Note 3)	770,725	27%	
The Company	AUS	Other related parties	Sale	925,859	7%	OA90	〃	〃	69,998	2%	
The Company	AUX	Other related parties	Sale	801,710	6%	OA90	〃	〃	51,067	2%	
The Company	BMM	Parent company and subsidiaries	Sale	437,210	3%	OA180	〃	〃	235,738	8%	(Note 4)
The Company	Sigma-Medical	Parent company and subsidiaries	Sale	267,973	2%	OA180	〃	〃	51,015	2%	(Note 4)
The Company	VVM	Associates	Sale	164,588	1%	OA90	〃	〃	29,811	1%	
The Company	BMS	Parent company and subsidiaries	Purchases	(964,131)	9%	OA180	(Note 2)	〃	(509,510)	16%	(Note 4)
The Company	Visco Vision	Associates	Purchases	(386,076)	4%	OA60	〃	〃	(54,473)	2%	

Note1: The price of the Company's sales to related parties is not significantly different from the general sales except that there is no general transaction price to compare due to the different specifications of some products.

Note2: The Company's purchase price from related parties is incomparable with the general transaction price due to different product specifications. It is processed in accordance with the agreed purchase price and conditions.

Note3: There is no significant difference between the transaction price and general transaction.

Note4: It has already been written off during compilation of the Consolidated Financial Statements.

Note5: For purchases and sales with subsidiaries, only the amount of the parent company will be disclosed, and the amount of its subsidiary will not be restated.

8) Receivables from related parties amounting to NT$100 million or 20% of the paid-in capital or more:

The companies that record such transactions as receivables	Counterparty	Relationship	Balance Dues from Related Parties	Turnover rate (Note 1)	Overdue accounts receivable from related parties: Amount	Way of disposal	Subsequently Recovered Amount from Related Party	Provision for allowance for loss amount
BMS (Note 2)	The Company	Parent company and subsidiaries	509,510	1.55	20,059	-	50,342	-
The Company	AUO	Other related parties	770,725	3.81	-	-	-	-
The Company (Note 2)	BMM	Parent company and subsidiaries	235,738	3.01	-	-	-	-

Note1: The turnover rate is calculated by adding back the amount of accounts receivable sold to financial institutions.

Note2: It has already been written off during compilation of the Consolidated Financial Statements.

9) Engaged in derivative transaction: For information on the transaction of derivative financial products by the Combined Company, please refer to Note 6 (2) of the Consolidated Financial Statements.

10) Business relationships and significant intercompany transactions among parent and subsidiaries:

No. (Note 1)	Counterparty	Transaction object	The type of relations with transaction party (Note 2)	Transaction details (Note 3): Accounts	Amount	Transaction conditions	Ratio to consolidated total operating income or total assets (Note 4)
0	The Company	BMM	1	Sale	437,210	OA180	2.55%
0	The Company	Sigma-Medical	1	Sale	267,973	OA180	1.56%
0	The Company	BMM	1	Accounts receivable	235,738	OA180	1.15%
1	BMS	The Company	2	Processing income	964,131	OA180	5.63%
1	BMS	The Company	2	Accounts receivable	509,510	OA180	2.48%

Note1: Instruction for numbering:
1. 1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note2: The type of relations with transaction party is marked as follows:
1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries

Note3: For business relations and important transactions between parent-subsidiary companies, only sales and accounts receivable amounting to 1% of consolidated revenue or assets are disclosed, and the corresponding imports and accounts payable are omitted.

Note4: Divide the transaction amount by the consolidated operating income or consolidated total assets.

Note5: It has already been written off during compilation of the Consolidated Financial Statements.

b. Information on reinvestment:

The information on the reinvestment business of the Combined Company in 2023 is as follows (excluding the mainland invested company):

Investment company name	Investee companies	Location	Major business items	Original investment amount: End of this period	Original investment amount: End of last year	Hold at the end of the period: Shares	Hold at the end of the period: Ratio (%)	Hold at the end of the period: Book amount	Highest Ownership Level or Capital Invested during the Period: Shares	Highest Ownership Level or Capital Invested during the Period: %	Profit or Loss of Invested Company in the Current Period	Investment Profit/Loss Recognized in the Current Period	Note
The Company	BMLB	Malaysia	Holding company	499,790	1,141,340	14,082	100.00%	1,683,095	14,082	100.00%	(8,791)	(8,791)	(Note 1)
The Company	Sigma-Medical	Taiwan	Sales of medical equipment	231,727	231,727	2,000	100.00%	38,526	2,000	100.00%	21,965	22,184	(Note 1)
The Company	Visco Vision	Taiwan	Manufacturing and sales of contact lenses	168,771	168,771	9,334	14.82%	457,486	9,334	14.82%	301,613	48,678	-
The Company	Cenefom	Taiwan	Development, manufacturing, and sales of medical equipment	272,968	272,968	11,646	50.98%	213,973	11,646	51.34%	(17,770)	(11,922)	(Note 1)
The Company	Genejet	Taiwan	Development, manufacturing, and sales of medical equipment	47,860	43,316	4,070	75.63%	44,902	4,070	75.63%	390	(1,328)	(Note 1)
The Company	Web-Pro	Taiwan	Healthcare materials and equipment development, manufacturing and sale	3,161,999	-	35,700	51.00%	2,908,093	35,700	51.00%	234,992	105,434	(Note 1)
The Company	Buticon International Corporation	Taiwan	Sales and development of medical equipment	6,000	6,000	217	20.00%	4,086	217	20.00%	(1,306)	(268)	-
The Company	Coatmed	Taiwan	Sales of medical equipment	5,980	5,980	598	9.98%	4,257	598	9.98%	(6,912)	(717)	-
Web-Pro	WPSG	Singapore	Holding company	895,139	-	30,000	100.00%	765,713	30,000	100.00%	(67,969)	-	(Note 1)
WPSG	WPVN	Vietnam	Healthcare materials and equipment manufacturing and sale	926,053	-	-	100.00%	758,203	-	100.00%	(69,034)	-	(Note 1)

Note1: It has already been written off during compilation of the Consolidated Financial Statements.

c. Information on investments in mainland China：

1) Information on reinvestments in mainland China:

Investee companies in mainland	Major business items	Paid-up capital	Way of investments (Note 1)	Cumulative Investment Amount Remitted from Taiwan - Beginning of the Period	Investment amount remitted or received for the current period		Cumulative Investment Amount Remitted from Taiwan - End of the period	Profit or Loss of Invested Company in the Current Period	Percentage of ownership through the Company's direct or indirect investment	Highest Ownership Level or Capital Invested during the Period		Investment profits (losses) recognized for the current period	Carrying Amount as of December 31, 2023	Investment profits repatriated by the end of the current period
					Remit	Receive				Shares	%			
BenQ Materials Co., Ltd. (BMS)	Processing of film sheet products	246,000 (USD 8,000)	(3)	891,750 (USD 29,000)	-	641,550 (USD 21,000)	246,000 (USD 8,000)	62,933	100.00%	-	100.00%	62,933 (Note 2)	1,907,217 (Note 4)	-
Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Provision of services and sales of related products such as medical equipment	47,700 (RMB 11,000)	(2)	-	-	-	-	11,963	100.00%	-	100.00%	11,963 (Note 2)	37,864 (Note 4)	-
BenQ Materials (Wuhu) Corp. (BMW)	Manufacture and sales of film sheet and cosmetic-related products	346,912 (RMB 80,000)	(3)	173,456 (RMB 40,000)	-	-	173,456 (RMB 40,000) (Note 3)	(84,788)	100.00%	-	100.00%	(83,481) (Note 2)	(265,293) (Note 4)	-
BenQ Materials Medical (Suzhou) Co., Ltd. (BMM)	Sales and manufacturing of medical equipment	65,046 (RMB 15,000)	(2)	-	-	-	-	1,175	100.00%	-	100.00%	1,175 (Note 2)	46,477 (Note 4)	-
Suzhou Sigma-Medical Supply Co., Ltd. (Suzhou Sigma-Medical)	Sales of medical equipment	22,202 (USD 722)	(1)	22,202 (USD 722)	-	-	22,202 (USD 722)	(1)	100.00%	-	100.00%	(1) (Note 2)	1,075 (Note 4)	-

Note1: Ways of investments are as follows
1. Direct investment in mainland companies.
2. Reinvestment the surplus of BMLB to China.
3. Investing in mainland companies through the establishment of companies in the third region.

Note2: The investment profits and losses are recognized based on the financial statements checked by the Taiwanese parent company certified accountant.

Note3: Excluding the reinvestment of RMB$10,950 thousand reinvested by BMLB.

Note4: It has already been written off during compilation of the Consolidated Financial Statements.

2) Limits on investments in mainland China:

Unit: NTD Thousands

Company name	Cumulative investment amount remitted from Taiwan to the mainland at the end of the period	Amount of Investment Approved by the Ministry of Economic Affairs Investment Committee	Upper Limit on Investment Authorized by MOEAIC
The Company	419,456 (USD 8,000 and RMB 40,000)	531,986 (USD 8,000 and RMB 65,950)	(Note)
Sigma-Medical	22,202 (USD 722)	22,202 (USD 722)	80,000

It is converted according to the exchange rate of USD to NTD of 30.75 and RMB to NTD of 4.3364 at the end of the period.

(Note) The Company has already acquired the certificate of corporate operation headquarters, so there is no limit on investment in mainland China.

3) Material transactions with investee companies in Mainland China:

Please refer to the “Information on significant transactions” section for direct or indirect transactions between the Combined Company and investees in mainland China for 2023 which have been written off during the preparation of the Consolidated Financial Statements.

d. Information on major shareholders:

Unit: Shares

Shareholding Name of major shareholders	Holding Shares	Share Ownership %
BenQ Corporation	80,847,763	25.21%
Qisda Corporation	43,659,294	13.61%

Note1: The major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.

14. Segment Information

The reportable business segments of the Combined Company are the film sheet segment and the medical segment. The film sheet segment is mainly engaged in the sales, manufacturing and research, and development of various electronic chemical membrane products. The medical segment is primarily involved in the sales, manufacturing, and research and development of various medical-related products.

The accounting policies of the transportation segment, except for operating expenses and non-operating income (expenses) that cannot be directly attributable to each operating department, it is calculated based on the proportion of the revenue (or headcount) of each operating segment to the total revenue (or headcount). The income tax expense is not apportioned but directly included outside the film sheet segment, and the rest is the same as the summary of the important accounting policies described in Note 4. The profit and loss of the operating segment of the Combined Company is measured by the after-tax profit and loss and used as the basis for evaluating performance. The Combined Company deems the inter-unit sales and transfer as transaction with third parties.

The information and adjustments to operating units of the Combined Company are as follows:

	2023			
	Film sheet segment	Medical segment	Adjustments and elimination	Total
Revenue from external customers	$ 12,376,090	4,751,433	-	17,127,523
Intersegment revenue	-	-	-	-
Total revenue	$ 12,376,090	4,751,433	-	17,127,523
After-tax net profit	$ 55,895	447,896	-	503,791

	2022			
	Film sheet segment	Medical segment	Adjustments and elimination	Total
Revenue from external customers	$ 13,490,430	2,050,035	-	15,540,465
Intersegment revenue	-	-	-	-
Total revenue	$ 13,490,430	2,050,035	-	15,540,465
After-tax net profit	$ 1,020,205	264,536	-	1,284,741

a. Product and service information

The Combined Company's revenue information from external customers is as follows:

Product and service name	2023	2022
Functional sheet	$ 12,376,090	13,490,430
Medical Products	4,751,433	2,050,035
	$ 17,127,523	15,540,465

b. Regional information

The Combined Company distinguishes the following information with the revenue based on geographic location of customers and non-current assets based on geographical location of assets.

Region	2023	2022
Revenue from external customers:		
China	$ 9,440,696	10,156,040
Taiwan	4,869,329	4,461,976
Japan	929,790	69,418
United States	694,841	78,931
Others	1,192,867	774,100
	$ 17,127,523	15,540,465

Region	2023.12.31	2022.12.31
Non-current assets:		
Taiwan	$ 6,654,549	4,649,490
China	3,913,023	1,327,379
Vietnam	720,255	-
	$ 11,287,827	5,976,869

Non-current assets include property, plant and equipment, right-of-use assets, investment properties, intangible assets and other assets, but non-current assets that do not include financial instruments, deferred income tax assets and assets for retirement benefits.

c. Major customer information

	2023
Customer A	$ 3,387,870
Customer B	1,053,939
Customer C	925,859
Customer D	911,506
	$ 6,279,174

	2022
Customer A	$ 3,283,317
Customer C	953,580
Customer E	826,266
Customer F	820,069
Customer G	780,108
	$ 6,663,340

BENQ MATERIALS CORPORATION

Parent Company Only Financial Statements With Independent Auditor's Report

For the Years Ended December 31, 2023 and 2022

Address: **No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333403, Taiwan (R.O.C.)**
Tel: **(03)3748800**

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.

Independent Auditor's Report

To The Board of Directors of BenQ Materials Corporation,

Opinions on the audit

We have audited the Balance Sheets of BenQ Materials Corporation as of December 31, 2023 and 2022, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Material Accounting Policies) for the annual period from January 1 to December 31, 2023 and 2022.

In our opinion, the aforementioned Parent Company Only Financial Statements present fairly, in all material respects, the individual financial position of BenQ Materials Corporation as of December 31, 2023 and 2022, and its individual financial performance and cash flows for the annual periods ended December 31, 2023 and 2022 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Basis of opinions on the audit

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants Engaged and Auditing Standards. Our responsibility under those standards will be further described in the section titled "The Accountants' Responsibilities in Auditing the Parent Company Only Financial Statements." We have stayed independent from BenQ Materials Corporation as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 Parent Company Only Financial Statements of BenQ Materials Corporation. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters individually. The accountant's judgment should communicate the key audit matters on the audit report as follows:

1. Inventory Valuation

   For the accounting policies of inventories, please refer to Note 4 (7) of the Parent Company Only Financial Statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5 of the Parent Company Only Financial Statements; For the description of important accounting items in inventories, please refer to Note 6 (6) of the Parent Company Only Financial Statements.

Description of Key Audit Matters:

Inventories of BenQ Materials Corporation are mainly film sheet products. Inventory is measured by the lower of cost and NRV. As BenQ Materials Corporation's inventory is easily affected by the market demand of the products used and the yield rate of the production process, resulting in sluggish or falling prices, inventory evaluation is one of the important evaluation items for the accountants to perform the review of Parent Company Only Financial Statements.

Our audit procedures performed in respect of the above area included the following:

The accountant's main audit procedures for the above key audit matters include reviewing the inventory age report and analyzing the changes in the inventory age in each period; sampling and testing the inventory cost and net realizable value provided by BenQ Materials Corporation, as well as the inventory age report, reviewing the management and sales meeting to evaluate the situation of inventory depletion; evaluating whether the assessment of inventory has been in accordance with the accounting policies established by BenQ Materials Corporation; performing inventory retrospective testing to verify the rationality of the provision of bad debt losses.

2. Acquisition of subsidiaries

Please refer to Note 4 (19) of the Parent Company Only Financial Statements for the accounting policies of business mergers; Please refer to Note 6 (7) of the Parent Company Only Financial Statements for descriptions of material accounting items of the new acquisition of subsidiaries.

Description of Key Audit Matters:

On January 3, 2023 (the merger date), the BenQ Materials Corporation acquired a 51% equity in Web-Pro Co., Ltd. (hereinafter referred to as Web-Pro) from its shareholders by a total amount of NT$3,161,999 thousand, thereby obtaining control over the company. In accordance with the accounting treatment for business mergers, the management must determine the fair value of identifiable assets acquired and liabilities assumed. This process involves various assumptions and estimates and is complex. Therefore, the new acquisition of subsidiaries in this period represents one of the important evaluation items for us when performing auditing work of the Parent Company Only Financial Statements.

Our audit procedures performed in respect of the above area included the following:

Our main audit procedures for the above key audit matters include reviewing the equity purchase agreement signed by both parties to understand the scope of the acquisition and the agreed purchase price; verifying the payment of the transaction price had been duly paid by examining the bank statements; obtaining reports on the fair value assessment of the properties and intangible assets, as well as the allocation of the purchase price, which were conducted by external experts commissioned by the management; assessing the reasonableness of the assets and liabilities identified by the management on the merger date and their valuation; engaging external experts to review the valuation report of the fair value of properties and assess the reasonableness of the valuation approaches, relevant parameters, and price determination rationale adopted in the valuation report; engaging the firm's valuation specialists to assess the reasonableness of the valuation approaches and significant assumptions adopted in the fair value assessment of intangible assets. Additionally, we evaluated the accuracy of the accounting entries made by BenQ Materials Corporation and ensured proper disclosure of relevant information regarding the acquisition.

The Management's Responsibility and Governing Body of the Parent Company Only Financial Statements

It is the management's responsibility to fairly present the Parent Company Only Financial Statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and to maintain internal controls which are necessary for the preparation of the Parent Company Only Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing for the Parent Company Only Financial Statements, responsibilities of the management also included assessment of the capacity to continue operation, disclosure of related matters and the accounting approaches to be adopted when the Company continues to operate unless the management intends to liquidate or suspend the business of BenQ Materials Corporation if there was not any other option except liquidation or suspension of the Company's business.

The governing bodies of BenQ Materials Corporation (including the Audit Committee) have the responsibility to oversee the process by which the financial statements are prepared.

The Accountants' Responsibilities in Auditing the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance on whether the Parent Company Only Financial Statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance refers to high level of assurance. Nevertheless, our audit, which was carried out in accordance with the auditing standards, does not guarantee that a material misstatement(s) will be detected in the Parent Company Only Financial Statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Parent Company Only Financial Statements.

We have utilized our professional judgment and professional skepticism when performing auditing work in accordance with the auditing standards. We also:

1. Identified and evaluated the risk of a material misstatement(s) due to fraud or errors in the Parent Company Only Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit report. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of BenQ Materials Corporation.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of BenQ Materials Corporation to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Parent Company Only Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause BenQ Materials Corporation to cease to continue as a going concern.

5. Evaluated the overall presentation, structure, and content of the Parent Company Only Financial Statements (including the related notes), and determined whether the Parent Company Only Financial Statements present related transactions and events fairly.

6. Acquire sufficient and appropriate audit evidence for the financial information of the investee company that adopts the equity method to express opinions on Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion on BenQ Materials Corporation.

We communicate with those charged with governing body regarding, among other matters, the planned scope and timing of the audit and material audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided governing bodies with a declaration that we had complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that might possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with those charged with governing body, we determined the key audit matters of the Parent Company Only Financial Statements of BenQ Materials Corporation of 2023. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

KPMG Taiwan

CPA:

Approved audit number ： FSC (6) No. 0940100754
FSC (audited) No. 1060005191

February 22, 2024

Notice to Readers

For the convenience of readers, the independent auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and financial statements shall prevail.

BenQ Materials Corporation

Balance Sheet
December 31, 2023 and 2022
Unit: NT$ thousand

	Assets	2023.12.31 Amount	%	2022.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 291,525	2	347,022	2
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	61,027	-	17,316	-
1120	Financial assets at fair value through other comprehensive income - current (Note 6 (3))	63,840	-	54,549	-
1170	Notes and accounts receivable, net amount (Notes 6 (4) and (19))	1,649,510	10	1,902,450	14
1180	Notes and accounts receivable - related parties net amount (Notes 6 (4), (19) and 7)	1,246,040	7	917,223	7
1200	Other receivables (Notes 6 (5) and 7)	77,173	1	138,623	1
1210	Other receivables - related parties (Notes 6 (5) and 7)	7,548	-	1,703	-
1310	Inventories, net (Note 6 (6))	2,815,824	16	2,322,850	17
1479	Other current assets	191,638	1	155,860	1
1476	Other financial assets - current (Note 8)	9,675	-	10,464	-
	Total current assets	6,413,800	37	5,868,060	42
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (3))	96,007	1	96,504	1
1550	Investments accounted for using equity method (Note 6 (7))	5,354,418	31	3,168,041	22
1600	Property, plant, and equipment (Notes 6 (9), 7, and 8)	4,726,510	27	4,010,841	29
1755	Right-of-use asset (Note 6 (10))	420,564	3	523,043	4
1780	Intangible assets (Notes 6 (11) and 7)	22,428	-	22,309	-
1840	Deferred tax assets (Note 6 (16))	197,378	1	220,538	2
1920	Guarantee deposits paid	7,402	-	6,919	-
1995	Other non-current assets	12,039	-	13,255	-
	Total non-current assets	10,836,746	63	8,061,450	58
	Total assets	$ 17,250,546	100	13,929,510	100

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Chairman: Zhien-Chi (Z.C.) Chen **General Manager: Ray, Liu** **Accounting Manager: James, Wang**

BenQ Materials Corporation

Balance Sheet (continued)
December 31, 2023 and 2022
Unit: NT$ thousand

	Liabilities and Equity	2023.12.31 Amount	%	2022.12.31 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note 6 (12))	$ 1,490,000	9	1,051,460	8
2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))	-	-	1,800	-
2170	Accounts payable	2,608,487	15	2,438,302	18
2180	Accounts payable - related parties (Note 7)	647,230	4	895,740	6
2200	Other payables (Note 6 (20))	1,012,221	6	1,224,047	9
2220	Other payables - related parties (Note 7)	24,451	-	51,573	-
2320	Long-term borrowings due within one year (Note 6 (13))	381,943	2	181,486	1
2281	Lease liabilities - current (Note 6 (14))	5,796	-	6,966	-
2282	Lease liabilities - related parties - current (Notes 6 (14) and 7)	93,401	-	91,746	1
2300	Other current liabilities (Note 6 (19))	154,817	1	143,327	1
	Total current liabilities	6,418,346	37	6,086,447	44
	Non-current liabilities:				
2540	Long-term borrowings (Notes 6 (13) and 8)	4,416,898	26	1,084,002	8
2570	Deferred tax liabilities (Note 6 (16))	259,585	1	252,241	2
2581	Lease liabilities - non-current (Note 6 (14))	36,421	-	42,217	-
2582	Lease liabilities - related parties - non-current (Notes 6 (14) and 7)	289,379	2	382,780	3
2600	Other non-current liabilities (Notes 6 (13) and (15))	33,687	-	33,323	-
	Total non-current liabilities	5,035,970	29	1,794,563	13
	Total liabilities	11,454,316	66	7,881,010	57
	Equity (Notes 6 (8) and (17)):				
3110	Common stock	3,206,745	19	3,206,745	23
3200	Capital reserve	192,352	1	192,352	1
	Retained earnings:				
3310	Legal reserve	540,821	3	414,305	3
3320	Special reserve	68,835	-	103,309	1
3350	Undistributed earnings	1,880,161	11	2,200,624	16
3400	Other equity	(92,684)	-	(68,835)	(1)
	Total equity	5,796,230	34	6,048,500	43
	Total liabilities and equity	**$ 17,250,546**	**100**	**13,929,510**	**100**

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Chairman: Zhien-Chi (Z.C.) Chen **General Manager: Ray, Liu** **Accounting Manager: James, Wang**

BenQ Materials Corporation

Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022
Unit: NT$ thousand

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue (Notes 6 (19) and 7)**	$ 14,003,908	100	14,780,630	100
5000	**Operating cost (Notes 6 (6), (9), (10), (11), (14), (15), (20), 7 and 12)**	(11,905,042)	(85)	(12,415,438)	(84)
	Gross operating profit	2,098,866	15	2,365,192	16
5910	Realized (unrealized) sales profit and loss	41,497	-	(51,306)	-
	Realized operating profit and loss	2,140,363	15	2,313,886	16
	Operating expenses (Notes 6 (4), (9), (10), (11), (14), (15), (20), 7 and 12)				
6100	Selling expenses	(619,022)	(4)	(675,786)	(4)
6200	Administrative expenses	(217,720)	(2)	(245,162)	(2)
6300	Research and development expenses	(885,170)	(6)	(851,156)	(6)
	Total operating expenses	(1,721,912)	(12)	(1,772,104)	(12)
	Net Operating Income	418,451	3	541,782	4
	Non-operating income and expenses (Notes 6 (7), (13), (14), (21) and 7)				
7100	Interest revenue	8,484	-	486	-
7010	Other revenue	19,863	-	6,602	-
7020	Other gains and losses	(8,417)	-	33,463	-
7050	Financial costs	(120,956)	(1)	(50,690)	-
7070	Shares of profits of subsidiaries and associates accounted for using the equity method	153,270	1	949,708	6
		52,244	-	939,569	6
	Profit before tax	470,695	3	1,481,351	10
7950	**Less: Income tax expense (Note 6 (16))**	(56,343)	-	(185,681)	(1)
	Net profit for the current period	414,352	3	1,295,670	9
	Other comprehensive income:				
8310	**Items that will not be reclassified to profit or loss (Notes 6 (7), (15) and (17))**				
8311	Remeasurement of defined benefit plans	5,979	-	(5,718)	-
8316	Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	8,794	-	(5,895)	-
8330	Share of other comprehensive income from subsidiaries accounted for using the equity method	50	-	440	-
8349	Income tax related to items that will not be reclassified	-	-	-	-
		14,823	-	(11,173)	-
8360	**Items that may be reclassified subsequently to profit or loss (Note 6 (17))**				
8361	Exchange differences arising on translation of financial statements of foreign operations	(38,672)	-	45,647	-
8399	Income tax related to items that may be reclassified	-	-	-	-
		(38,672)	-	45,647	-
	Other comprehensive income for the year	(23,849)	-	34,474	-
8500	**Total comprehensive income for the year**	**$ 390,503**	**3**	**1,330,144**	**9**
	Earnings per share (Unit: NT$, Note 6 (18))				
9750	**Basic earnings per share**	**$**	**1.29**		**4.04**
9850	**Diluted earnings per share**	**$**	**1.28**		**3.97**

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Chairman: **Zhien-Chi (Z.C.) Chen** **General Manager:** **Ray, Liu** **Accounting Manager:** **James, Wang**

BenQ Materials Corporation

Statements of Changes in Equity

From January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

			Retained earnings				Other equity items				
	Common stock	Capital reserve	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences arising on translation of financial statements of foreign operations	Unrealized profits and losses of financial assets at fair value through other comprehensive income	Remeasurement of defined benefit plans	Total	Total equity
Balance as of January 1, 2022	$ 3,206,745	5,808	317,262	83,534	1,533,290	1,934,086	(51,470)	(22,910)	(28,929)	(103,309)	5,043,330
Appropriation and distribution of retained earnings:											
Account for legal reserve	-	-	97,043	-	(97,043)	-	-	-	-	-	-
Account for special reserve	-	-	-	19,775	(19,775)	-	-	-	-	-	-
Cash dividend of common share	-	-	-	-	(481,012)	(481,012)	-	-	-	-	(481,012)
Change in capital surplus from investments in subsidiaries accounted for using equity method	-	186,544	-	-	-	-	-	-	-	-	186,544
Difference between prices of shares acquired from subsidiaries and book value	-	-	-	-	(30,506)	(30,506)	-	-	-	-	(30,506)
Net profit	-	-	-	-	1,295,670	1,295,670	-	-	-	-	1,295,670
Other comprehensive income	-	-	-	-	-	-	45,647	(5,895)	(5,278)	34,474	34,474
Total comprehensive income for the year	-	-	-	-	1,295,670	1,295,670	45,647	(5,895)	(5,278)	34,474	1,330,144
Balance as of December 31, 2022	3,206,745	192,352	414,305	103,309	2,200,624	2,718,238	(5,823)	(28,805)	(34,207)	(68,835)	6,048,500
Appropriation and distribution of retained earnings:											
Account for legal reserve	-	-	126,516	-	(126,516)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(34,474)	34,474	-	-	-	-	-	-
Cash dividend of common share	-	-	-	-	(641,349)	(641,349)	-	-	-	-	(641,349)
Change in capital surplus from investments in subsidiaries accounted for using equity method	-	-	-	-	(301)	(301)	-	-	-	-	(301)
Difference between prices of shares acquired from subsidiaries and book value	-	-	-	-	(1,123)	(1,123)	-	-	-	-	(1,123)
Net profit	-	-	-	-	414,352	414,352	-	-	-	-	414,352
Other comprehensive income	-	-	-	-	-	-	(38,672)	8,794	6,029	(23,849)	(23,849)
Total comprehensive income for the year	-	-	-	-	414,352	414,352	(38,672)	8,794	6,029	(23,849)	390,503
Balance as of December 31, 2023	**$ 3,206,745**	**192,352**	**540,821**	**68,835**	**1,880,161**	**2,489,817**	**(44,495)**	**(20,011)**	**(28,178)**	**(92,684)**	**5,796,230**

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Chairman: Zhien-Chi (Z.C.) Chen **General Manager: Ray, Liu** **Accounting Manager: James, Wang**

BenQ Materials Corporation

Statements of Cash Flows
From January 1 to December 31, 2023 and 2022
Unit: NT$ thousand

	2023	2022
Cash flows from operating activities:		
Profit before tax for the year	$ 470,695	1,481,351
Adjusted items:		
Depreciation expenses	527,790	465,399
Amortization expenses	33,522	39,519
Expected credit losses (reverse benefits)	(12,199)	14,138
Valuation profit on financial liabilities measured at fair value through net profit or loss	(45,511)	(18,969)
Interest expenses	120,956	50,690
Interest revenue	(8,484)	(486)
Dividend revenue	(3,024)	(1,680)
Shares of profits of subsidiaries and associates accounted for using the equity method	(153,270)	(949,708)
Losses on disposal of property, plant and equipment	-	12,924
Profits from disposal of investment using equity method	-	(64,099)
(Realized) unrealized sales profits	(41,497)	51,306
Amortization of deferred expenses transferred to expenses	90,584	119,540
Amortization of syndication fee costs	1,712	3,773
Total adjustments to reconcile profit (loss)	510,579	(277,653)
Changes in operating assets/liabilities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	270,934	103,004
Accounts receivable - related parties	(272,073)	208,388
Other receivables	(1,089)	(814)
Other receivables - related parties	(5,845)	581
Inventory	(492,974)	164,183
Other current assets	(119,216)	(122,065)
Total net changes in assets related to operating activities	(620,263)	353,277
Net changes in liabilities related to operating activities:		
Accounts payable	170,185	(616,080)
Accounts payable - related parties	(248,510)	448,001
Other payables	(221,457)	21,869
Other payables - related parties	(27,122)	25,230
Other current liabilities	11,490	53,133
Net defined benefit liabilities	(1,736)	(1,966)
Total net changes in liabilities related to operating activities	(317,150)	(69,813)
Total net changes in assets and liabilities related to operating activities	(937,413)	283,464
Total adjustment items	(426,834)	5,811
Cash inflow generated from operations	43,861	1,487,162
Interests received	8,484	486
Interests paid	(119,347)	(49,043)
Income tax paid	(83,996)	(179,989)
Net cash (outflow) inflow from operating activities	(150,998)	1,258,616

(Continued)

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Chairman:	General Manager:	Accounting Manager:
Zhien-Chi (Z.C.) Chen	Ray, Liu	James, Wang

BenQ Materials Corporation

Statements of Cash Flows (continued)
From January 1 to December 31, 2023 and 2022
Unit: NT$ thousand

	2023	2022
Cash flows from investing activities:		
Acquisition of Financial assets at fair value through other comprehensive income	-	(92,271)
Acquisition of investment using the equity method	(3,166,541)	(180,706)
Disposal of investment using the equity method	-	83,749
Return of capital from investments accounted for using the equity method due to capital reduction	641,550	-
Acquisition of property, plant, and equipment	(1,079,891)	(891,437)
Disposal of property, plant, and equipment	-	200
(Increase) decrease in guarantee deposits paid	(483)	2,532
Acquisition of intangible assets	(33,161)	(28,192)
(Increase) decrease in other financial assets	789	(4,551)
Increase in other non-current assets	(3,032)	(14,860)
Dividends received	496,359	251,015
Net cash outflows from investing activities	(3,144,410)	(874,521)
Cash flows from financing activities:		
Increase in short-term borrowings	438,540	474,660
Proceeds from long-term borrowings	5,986,200	360,350
Repayments of long-term borrowings	(2,444,480)	(400,000)
Increase (decrease) in guarantee deposits received	(288)	300
Repayments of lease principal	(98,712)	(99,091)
Issuance of cash dividends	(641,349)	(481,012)
Net cash inflow (outflow) from financing activities	3,239,911	(144,793)
Increase (decrease) in cash and cash equivalents for the year	(55,497)	239,302
Cash and cash equivalents at beginning of the year	347,022	107,720
Cash and cash equivalents at end of the year	**$ 291,525**	**347,022**

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Chairman: **Zhien-Chi (Z.C.) Chen** **General Manager:** **Ray, Liu** **Accounting Manager:** **James, Wang**

BenQ Materials Corporation

Notes to Parent Company Only Financial Statements

2023 & 2022

(Unless otherwise stated, the unit for all amounts is in NT$ thousands)

1. Company History

BenQ Materials Corporation (hereinafter referred to as "the Company," formerly known as Daxon Technology Inc. and had renamed in June 2010) 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 are manufacturing and sales of film sheet products and medical equipment.

2. Date and Procedures of Authorization of Financial Statements

The Parent Company Only Financial Statements were published upon approval by the Board of Directors on February 22, 2024.

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

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

The Company has been applied to the application of the newly recognized IFRSs specified above will not have a material impact on the Parent Company Only Financial Statements since January 1, 2023.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction"

The Company has been applied to the application of the newly recognized IFRSs specified above will not have a material impact on the Parent Company Only Financial Statements since May 23, 2023.

- Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

b. Impacts of IFRSs endorsed by FSC that are not adopted yet

The Company evaluates that the application of the following newly endorsed IFRSs amended since January 1, 2024, will not have a material impact on the Parent Company Only Financial Statements.

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

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

The Company expects that the following newly issued and revised standards that have not yet been approved by the FSC will not have a significant impact on the Parent Company Only 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 21 “Lack of Exchangeability”

4. Summary of Material Accounting Policies

The summary of the material accounting policies used in the Parent Company Only Financial Statements is described below. The following accounting policies have been consistently applied to all periods of the Parent Company Only Financial Statements.

a. Statement of compliance

The Parent Company Only Financial Statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter refer to as the Regulations).

b. Basis of preparation

1) Basis of measurement

The Parent Company Only Financial Statements have been prepared on a historical cost basis except for the following significant accounts:

a) Financial instruments (including derivative financial instruments) measured at fair value through profit and loss;

b) Financial assets at fair value through other comprehensive income; and

c) Net defined benefit liabilities (or assets) are measured by determining the present value of the benefit obligation, the net amount after deducting the fair value of pension assets, and the upper limit of the number of influences mentioned in Note 4 (17).

2) Functional Currency and Presentation Currency

The Company takes the currency of the primary economic environment in which it operates as the functional currency. The Parent Company Only Financial Statements were expressed in New Taiwan Dollars, the Company’s functional currency. The unit for all amounts expressed are in thousands of NTD unless otherwise stated.

c. Foreign currency

1) Foreign currency transactions

Transactions in foreign currency are translated into the functional currency at exchange rates prevailing at the transaction dates. At the terminal date of each subsequent reporting period (hereinafter referred to as reporting date). Monetary items in foreign currency are translated into functional currency according to the exchange rate of the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing at the date when the fair value was determined. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are retranslated using the exchange rates prevailing at the transaction dates.

Foreign currency exchange differences arising from conversion are generally recognized in profit or loss, but equity instruments designated as fair value through other comprehensive income are recognized in other comprehensive income.

2) Foreign operating agency

The assets and liabilities of foreign operation, including the business reputation and fair value adjustment are translated into functional currency according to the exchange rate on the reporting date; the income and expense items are converted into the expression currency of the Parent Company Only Financial Statements based on the average exchange rate of the current period. And the exchange difference amount will be recognized as other comprehensive incomes.

Upon disposal of a foreign operating organization results in loss of control or significant influence, the accumulated exchange differences related to the foreign operating organization are fully reclassified as profit or loss. When partially disposing of subsidiaries containing foreign operation, the cumulative exchange difference amount will be re-attached to non-controlling equity according to proportion. When partially disposing of associates or joint investments containing foreign operation, the cumulative exchange difference amount will be re-classified into profit or loss according to proportion.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the related foreign exchange gains and losses are a part of net investment in that foreign operation and thereon are recognized as other comprehensive income.

d. Assets and liabilities classified as current and non-current

The Company shall classify an asset as current when:

1) It is expected to be realized when the Company is operating, or intended to be sold or consumed in the normal operating cycle;
2) Assets are held primarily for trading purposes;
3) It is expected to be realized within twelve months after the reporting period; or
4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company shall classify all other assets as non-current. The Company shall classify a liability as current when:

1) It is expected to be settled in the normal operating cycle;
2) Liabilities held primarily for trading purposes;
3) The liability is expected to be realized within twelve months after the reporting period; or
4) Liabilities that do not have the right to unconditionally defer the repayment period to at least twelve months after the reporting period. The liabilities provisions may be settled by issuing equity instruments at the option of the counterparty, and will not impact its classification.

e. Cash and Cash Equivalents

Cash includes cash on hand, check deposits and demand deposits. Cash equivalents refer to the short-term and highly liquidity investment that can be converted into quota cash at any time with little risk of value change. Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition, and the purpose of holding is to meet the short-term cash commitments rather than investment or other purposes.

f. Financial Instruments

The accounts receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the Company became a party to the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than accounts receivable that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. The accounts receivable that do not contain a significant financing component are measured at transaction prices.

1) Financial assets

At the time of initial recognition, financial assets are classified into: Financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive gains and losses, and financial assets measured at fair value through profit or loss. When purchasing or selling financial assets according to transaction practice, accounting treatment on the transaction date is adopted.

The Company shall reclassify all the affected financial assets from the first day of the next reporting period only when changing the business model for managing financial assets.

a) Financial assets measured at amortized cost

When financial assets meet the following conditions and not designated at fair value through profit or loss, they are measured at amortized cost:

- The financial assets are held under the operation mode with the purpose of collecting contract cash flow.
- The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal in circulation.

After the initial recognition of these assets, the effective interest rate method is adopted to measure the amortized cost minus the impairment loss. Interest income, foreign exchange profit or loss, and impairment loss are recognized in profit and loss. When derecognition, gain or loss is recognized in profit and loss.

b) Financial assets at fair value through other comprehensive income

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal in circulation.

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

Investors who are debt instruments are subsequently measured at fair value. Interest income, foreign currency exchange gains and losses and impairment losses calculated according to the effective interest method are recognized in profit and loss, and the remaining net gains or losses are recognized as other comprehensive gains and losses. At the time of derecognition, the accumulated other comprehensive income under equity is reclassified to profit or loss.

Equity instrument investors shall be measured at fair value subsequently. Dividend income (unless it clearly represents the recovery of part of the investment cost) is recognized in profit and loss. The remaining net profits or losses are recognized as other comprehensive income. At the time of derecognition, other comprehensive income accumulated under equity are reclassified to retained earnings instead of to profits or losses.

The dividend income of equity investment shall be recognized on the date when the Company is entitled to receive dividends (usually the ex-dividend date).

c) Financial assets at fair value through profit or loss

Financial assets other than the aforementioned financial assets measured at amortized cost or financial assets at fair value through other comprehensive gains and losses are measured at fair value through profit and loss, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and net profits and losses (including dividend and interest incomes) originated from remeasurement are recognized in profit or loss.

d) Evaluate whether the contractual cash flow is entirely the interest of the payment of the principal and the amount of principal in circulation

According to the purpose of the evaluation, the principal is the fair value of the financial asset upon initial recognition and the interest is comprised of the following considerations: time value of money, credit risk associated with outstanding principal amounts in the period, other basic lending risks and costs, and profit margins.

When evaluating whether the contractual cash flows consist entirely of payments of the principal and interest on the principal amount outstanding, the Company considers the contractual terms of financial instruments including evaluations on whether financial assets include a provision in the contract that changes the timing or amount of the contractual cash flows in a way that would cause it not to meet this condition. When evaluating, the Company considers the following:

- Any contingency that changes the timing or amount of the contractual cash flows;

- Terms that may adjust the coupon rate of the contract including the characteristics of floating interest rates;
- Attributes of prepayments and deferrals; and
- The Company's claim is limited to the terms of the cash flows from specific asset (e.g., non-recourse terms).

e) Impairment of financial assets

The Company recognizes an allowance loss for expected credit losses of financial assets (including cash and cash equivalents, notes and accounts receivable, other receivables, deposits, and other financial assets, etc.) measured at amortized cost.

The loss allowance of the following financial assets is measured based on the expected credit losses amount in 12 months, and the remaining are measured based on the lifetime expected credit loss amount:

- The credit risk of bank deposits (that is, the risk of default during the expected lifetime of financial instruments) has not increased significantly since initial recognition.

The allowance loss for accounts receivable is measured by the amount of expected credit loss during the duration.

Lifetime expected credit loss refers to the expected credit loss out of all possible defaults during the expected survival period of financial instruments.

Twelve-month expected credit loss refers to the expected credit loss (or a shorter period, if the expected duration of the financial instrument is shorter than twelve months) incurred by a financial instrument that may default within twelve months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Company's historical experience and credit assessment, as well as forward-looking information.

Expected credit loss refers to the weighted estimate of credit loss probability during the expected survival period of financial instruments. The credit loss is measured by the present value of all cash shortfall, namely the difference between the cash flow that the Company can collect according to the contract and the expected cash flow that the Company will receive. Expected credit loss is discounted at the effective interest rate of financial assets.

The loss allowance of financial assets measured through amortized cost is deducted from the carrying amount of assets.

When the Company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total carrying amount of its financial assets. The Company analyzes the timing and amount of the write-off individually on the basis of whether it can reasonably be expected to be recovered. The Company expects that the amount written off will not be materially reversed. However, the written-off financial assets can still be enforced to comply with the procedures for the Company to recover the overdue amount. Based on the Company's experience, overdue amount cannot be recovered after passing due 90 days.

f) Derecognition of financial assets

The Company only terminates the contractual rights from the cash flow of the asset, or the financial asset has been transferred and almost all the risks and rewards of the ownership of the asset have been transferred to other companies, or almost no ownership has been transferred or retained. When all risks and rewards are not kept under the control of the financial assets, the financial assets are derecognized.

When the Company signs a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

Debt and equity instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument refers to any contract that recognizes the remaining equity after deducting all liabilities from the assets of the Company. The equity instrument issued by the Company shall be recognized by the payment net of the direct cost of issuance.

b) Financial liabilities

Financial liabilities are classified as amortized costs or the fair value measurement through profit or loss. Financial liabilities, if held for trading, derivatives or designated at the time of initial recognition, are classified as the fair value measurement through profit or loss. Financial liabilities measured at fair value through profit and loss are measured at fair value, and related net profits and losses, including any interest expenses, are recognized in profit and loss.

Financial liabilities measured at amortized cost are subsequently measured at the amortized cost using the effective interest method. Interest income and foreign currency profit or loss are recognized as profit or loss. Any profit or loss at the time of derecognition is also recognized in profit and loss.

c) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or they expire. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the revised liabilities, the original financial liabilities will be derecognized and new financial liabilities will be recognized at fair value based on the revised terms.

When derecognizing financial liabilities, the difference between the carrying amount of a financial liability and the consideration paid (including all transferred non-cash assets or liabilities) is recognized in non-operating income and expenses.

d) Offsetting of financial assets and financial liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3) Derivative financial instruments

The Company holds derivative financial instruments to avoid risks of foreign currency and interest rates. The original recognition of derivatives is measured at fair value, and transaction costs are recognized as profit or loss; subsequent measurement is based on fair value, and the profits or losses arising from remeasurement are directly included in profit or loss. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

g. Inventory

Inventory is measured by the lower of cost and NRV. Cost includes cost and other costs for acquisition, manufacturing or processing to reach the usable place and status, and is calculated through weighted averaging. Among them, fixed manufacturing expenses are allocated to finished products and work-in-progress according to the normal production capacity or actual output of the production equipment, whichever is higher, and variable manufacturing expenses are allocated based on the actual output. The NRV is the expected selling price in the ordinary course of business, less the estimated cost of construction completion and the estimated costs necessary to make the sale.

h. Investment in the associates

Associates refer to those for which the Company has material influence upon their financial and operation policies but without controlling or joint controlling.

The Company adopts the equity method for handling the equity of associates. Under the equity method, the initial acquisition is recognized according to the cost, and the investment cost includes the transaction cost. The carrying amount of invested associates includes the goodwill recognized at the time of initial investment less any accumulative impairment loss. To assess impairment, the Company has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts. The cost of impairment identified is to be deemed as part of the carrying amount of the investment. Any reversal of impairment loss shall be recognized within the scope of subsequent increase in the recoverable amount of the investment.

From the date of significant impact to the date of losing significant impact, the Company shall, after making adjustments for consistency with the Company's accounting policies, recognizes the amount of profit and loss and other comprehensive income of each invested associates based on the proportion of equity. When the equity of associates changes, not including profit and loss and other comprehensive income, and do not affect the shareholding ratio of the Company, the Company shall recognize all the equity changes as capital reserve according to the shareholding ratio.

Unrealized profits resulting from the transaction between the Company and the associates shall be recognized in the financial statements only within the scope of the interests of non-related party investors in the associates.

When the loss share of associates to be recognized by the Company is equal to or over its equity in them, the recognition of the loss is suspended, and only in the case of legal obligations, constructive obligations or within the scope of making payment for the invested company, additional loss or relevant liability will be recognized.

The Company ceases to use the equity method from the date its investment ceases to be an associates and measures the retained interest at fair value. The difference between the fair value of the retained interest and the disposal price and the carrying amount of the investment at the date of cessation of the equity method is recognized in profit or loss for the current period. All amounts previously recognized in other comprehensive income related to the investment are accounted for on the same basis as that which would be required to be followed if the related assets or liabilities were disposed of directly by the associates, i.e. if a gain or loss previously recognized in other comprehensive income is required to be reclassified to profit or loss (or retained earnings) upon disposal of the related assets or liabilities, the gain or loss is reclassified from equity to profit or loss (or retained earnings) when the company ceases to use the equity method. If the Company's ownership interest in a related party decreases but the equity method continues to apply, the Company reclassifies the gain or loss previously recognized in other comprehensive income related to the decrease in ownership interest in the manner described above in proportion to the decrease.

When an associates issues new shares, if the Company does not subscribe according to the shareholding ratio, which causes the shareholding ratio to change, and thus the net equity value of the investment increases or decreases, the increase or decrease is adjusted to the capital reserve and the investment using the equity method; if this adjustment is to reduce the capital reserve, but the balance of the capital reserve generated by the investment using the equity method is insufficient, the difference will be debited to the retained surplus. However, if the Company does not subscribe in proportion to the shareholding ratio, which reduces its ownership and interest in the associates, the amount previously recognized in other comprehensive income related to the associates is reclassified according to the reduction ratio, and the basis of accounting treatment is the same as the basis that the associates must follow if the associates directly dispose of the related assets or liabilities.

i. Investment in Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the Parent Company Only Financial Statements. The book value of the investment subsidiary includes the goodwill identified at the time of the original investment, deduct any accumulated impairment losses. Under the equity method, the current profit and loss and other comprehensive income of the Parent Company Only Financial Statements are the same as the apportionment of the current profit and loss and other comprehensive income attributable to the owners of the parent company in the financial report prepared on the basis of consolidation, and the owner's equity of the Parent Company Only Financial Statements is the same as the owner's equity attributable to the owners of the parent company in the financial report prepared on the basis of consolidation.

Changes in the ownership and equity of the subsidiary by the Company that does not result in the loss of control shall be treated as equity transactions with the owner.

j. Property, plant and equipment

1) Recognition and measurement

Property, plant, and equipment are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the service years of material part of property, plant, and equipment vary, they are deemed as independent items (main components) for treatment.

The gain or loss on disposal of the property, plant, and equipment is recognized in profit and loss.

2) Subsequent costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

3) Depreciation

The depreciation is calculated by capital cost less scrap value and is recognized in profit or loss based on the estimated service years of each component using the straight-line method. Depreciation is not applicable to land, estimated useful life of the remaining assets are: Machinery and equipment, 3-10 years; other equipment, 2-10 years; in addition, depreciation of houses and buildings based on the estimated useful life of their major components: main buildings, 20-40 years; mechanical and electrical engineering and another engineering, 10-20 years.

The depreciation method, useful life, and residual value are reviewed on each reporting day, and adjustments are postponed for the impact of any changes in estimates.

k. Leases

The Company evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1) Lessee

The Company recognizes the right-of-use asset and the lease liability on the inception of the lease. The right-of-use asset is initially measured at cost, which includes the initial measured amount of the lease liability, adjusts any lease benefits paid on or before the inception of the lease, and adds the initial direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any leasing incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the Company is used. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease payments comprise as follows:

a) fixed payments, including in-substance fixed lease payments;

b) variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;

The lease liability subsequently accrues interest with the effective interest method, and its amount is measured when the following occurs:

a) changes in future lease payments resulting from changes in an index or a rate used to determine those payments;

b) change in the assessment of the lease term resulting from extension or termination of the exercise of the purchase option;

c) lease modifications of the underlying asset, scope, and other terms and conditions.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset shall be adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

The changes in (iv) and (v) decreases the scope of a lease. When a lease modification decreases the scope of a lease, the carrying value of the right-of-use asset is decreased to reflect partial of full termination of the lease liability, and any gain or loss resulting from the aforementioned derecognition is immediately recognized in profit or loss.

The Company records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the Individual Balance Sheets.

For short-term leases of office equipment and leases of low-value underlying assets, the Company chooses not to recognize the right-of-use assets and lease liabilities, but to recognize the related lease benefits as expenses on the straight-line basis during the lease term.

2) Lessor

For transactions in which the Company is the lessor, it is to classify the tenancy agreement according to whether it transfers almost all risks and remuneration attached to the ownership of the underlying asset on the lease establishment date. If so, it is classified as a financial lease, otherwise, it is classified as an operating lease. At the time of evaluation, the Company’s considerations include relevant specific indicators, such as whether it covers the main component of the economic life of the underlying asset during the lease term.

For operating leases, the Company uses a straight-line basis to recognize the lease payments received as rental income during the lease period.

l. Intangible assets

Intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses. The amortization amount is calculated based on the following estimated useful life with the straight-line method, and the amortization amount is recognized in the profit and loss: purchased software, 1 to 5 years; other intangible assets, 5 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be adjusted when necessary.

m. Impairments of non-financial assets

The Company assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If there is an indication that an asset may be impaired, then the Combined Company estimates the recoverable amount of such asset. Goodwill is subject to impairment tests on a regular basis every year or when there are signs of impairment.

The purpose of the impairment test, a group of assets whose cash inflow is mostly independent of other individual assets or asset groups, is regarded as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect of the merger.

The recoverable amount is the higher of the fair value of the individual asset or cash-generating unit minus the cost of disposal and its value in use, whichever is higher. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

When the recoverable amount of an individual asset or a CGU is less than its carrying amount, an impairment loss is recognized. The impairment loss is recognized immediately in profit or loss, firstly by reducing the carrying amount of any goodwill allocated to the CGU, and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will only be reversed if they do not exceed the carrying amount (less depreciation or amortization) determined when no impairment loss had been recognized for the asset in the previous year.

n. Liability reserve

The recognition of provisions means a current obligation for past events so that in the future the Company is most likely to outflow resources with economic benefits to settle it, and the amount of the obligation can be reliably estimated.

The reorganization liability provision is recognized when the Company approves the detailed and formal reorganization plan and starts to proceed or publicly announces the reorganization plan. Provisions are not recognized for future operating losses.

o. Revenue recognition

The Company recognizes revenue when control of the products has transferred. The transfer of control over products means that products are delivered to customers with no unfulfilled obligations that may affect customers' acceptance of the products. Delivery occurs when the product is delivered to a specific location, the risk of loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, or the Company has objective evidence that all acceptance conditions have been met.

The Company recognizes revenue on the basis of the contract price minus the estimated quantity discount and discount. The amount of the quantity discount and discount is estimated based on the expected value based on the accumulated experience in the past, and recognizes income within the scope of a major turnaround. As of the reporting date, the amount discounts and discounts expected to be paid to customers for related sales are recognized as refund liabilities (other current liabilities are accounted for).

The Company recognizes accounts receivable upon delivery of goods, because it enjoys the entitlement of collecting consideration unconditionally at this timing.

p. Government subsidies and government assistance

Government subsidies are only recognized when they can be reasonably assured that the Company shall comply with the conditions imposed by government subsidies and that such subsidies can be received. If the government subsidy is used to compensate fees or losses that had occurred, or is given to the Company for the purpose of immediate financial support without related future costs, it can be recognized as income within the collectible period.

For borrowings obtained from financial institutions by means of government credit guarantees, the Company calculates the fair value of the loans based on market interest rates. The difference between it and the amount received is recognized as deferred income. During the borrowing period, the deferred income is recognized as non-operating income - other income on a systematic basis.

q. Employee benefits

1) Defined contribution plans

Assignment obligations that should be contributed to defined contribution retirement benefit plans are recognized as employee benefit expenses under profit and loss when employees have rendered service.

2) Defined benefit plans

The net obligation of the Company to determine the benefit plan is calculated by converting the future benefit amount earned by the employee in the current period or the previous period into the present value for each benefit plan and deducting the amount of the fair value of any plan assets. The discount rate is the yield on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The net obligation of the defined benefit plan is calculated annually by a qualified actuary using the projected unit credit method.

When the benefit in the plan improves, the relevant expense for the part of incremental benefit for previous services by employees is immediately recognized as profit or loss.

The number of remeasurement of net defined benefit liabilities (assets) includes (1) actuarial profit or loss; (2) planned asset rewards, excluding the amount contained in net interest of net defined benefit liability (asset); and (3) any change in upper limit influence number of assets, excluding amount contained in net interest of net defined benefit liability (asset). The remeasured amount of net defined benefit liabilities (assets) is recognized in other comprehensive income and recognized in other equity.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gains or losses on the curtailment or settlement include any change in fair value of planned assets and current value of defined benefit obligations.

3) Short-term employee benefits

The obligation for short-term employee benefits is measured on undiscounted basis, and recognized as expense at the time of provision of relevant services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

r. Income tax

Income taxes include current and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The current income tax includes the estimated income tax payable or income tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to the income tax payable or income tax refund receivable in previous year. The amount is the best estimate of the amount expected to be paid or received after reflecting the uncertainty (if any) related to income tax, according to the statutory tax rate on the reporting date or the tax rate of the substantive legislation.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities on the reporting date and their respective tax bases. The temporary difference for the following conditions will not be recognized as deferred income tax:

1) Originally recognized asset or liability not falling to the transaction of corporate consolidation, without (i) influencing accounting profit and levy duty gain (loss) and (ii) generating equivalent taxable and deductible temporary differences at the transaction;

2) Due to temporary differences arising from investment in subsidiaries, associates, and joint venture equity, the Company can control the timing of the reversion of the temporary differences and it is very likely that they will not revert in the foreseeable future; and

3) Taxable temporary differences arising from the original recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period, and has reflected the uncertainty related to income tax (if any).

The Company only offsets the deferred income tax assets and deferred income tax liabilities when the following conditions are met simultaneously:

1) The entity has the legal right to settle tax assets and liabilities on a net basis; and
2) The amounts of deferred tax assets and liabilities are:
   a) Levied by the same taxing authority; or
   b) Levied by different entities that intend to realize the asset and settle the liability at the same time.

For unused tax losses and unused income tax deduction at the later stage of the transfer and deductible temporary differences, they are recognized as deferred income tax assets to the extent that there is likely to be future taxable income available for use. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

s. Business mergers

The Company uses the acquisition method to handle business mergers. Goodwill is the fair value of the consideration transferred on the acquisition date, including the amount attributable to any non-controlling interests of the acquiree, deduct the net amount of identifiable assets acquired and liabilities assumed (usually fair value). If the balance after the deduction is negative, the Company will reassess whether all acquired assets and all liabilities assumed have been correctly identified before recognizing the benefits of cheap purchases in profit or loss.

Except for those related to the issuance of debt or equity instruments, transaction costs related to business combinations should be immediately recognized as expenses of the amalgamating company when incurred.

Among the non-controlling interests of the acquiree, if it is a current ownership interest, and its holder is entitled to a proportional share of the net assets of the enterprise when the liquidation occurs, the Company is measured on a transaction-by-transaction basis based on the fair value at the acquisition date or the proportion of the current ownership instrument to the recognized amount of the acquiree's identifiable net assets. Other non-controlling interests are measured at their fair value on the acquisition date or other basis as required by the International Financial Reporting Standards and International Accounting Standards recognized by the FSC.

If the original accounting treatment of the business combination has not been completed before the reporting date of the merger transaction, the Company recognizes the incomplete accounting treatment items at a tentative amount and makes retrospective adjustments or recognizes additional assets or liabilities during the measurement period to reflect the new information about the facts and circumstances that existed on the acquisition date obtained during the measurement period. The measurement period is no more than one year from the acquisition date.

t. Earnings per share

The Company presents the basic and diluted earnings per share attributable to the Company's common equity holders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with profit or loss of the Company's common stock holders and weighted average number of common shares outstanding. The potential diluted ordinary shares of the Company are employees' compensation that can choose to use stocks.

u. Segment Information

The Company has disclosed segment information in the Consolidated Financial Statements, so the Parent Company Only Financial Statements do not disclose segment information.

5. The Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When preparing the Parent Company Only Financial Statements according to preparation standards and IFRS recognized by FSC, the management may have to make judgment, estimate, and assumption, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Actual results may differ from these estimates.

The management has to continuously check the estimate and basic assumptions, and the accounting estimate is recognized during the period of change and during the future influenced period.

Accounting policies involve significant judgments. Information that has a significant impact on the Parent Company Only Financial Statements is as follows:

a. Judgment on whether the invested company has substantial control or significant influence

The Company holds 14.82% of the voting shares of Visco Vision Inc. and is also its single largest shareholder. Although the remaining 85.18% shareholdings of Visco Vision are not held by specific shareholders, the Company is still unable to obtain more than half of the seats of the board of directors of Visco Vision, and has not obtained more than half of the voting rights of shareholders present at the shareholders' meeting, thus only obtained one seat of the board of directors to participate in decision-making of Visco Vision. Therefore, it is considered that the Company has no control over Visco Vision, but only has a significant influence, evaluation will be conducted by using the equity method.

The following assumptions and estimated uncertainties have a significant risk of causing significant adjustments to the carrying amount of assets and liabilities in the next financial year are as follows:

a. Inventory valuation

As inventory shall be measured based on the lower of cost or realizable value, if on the Company's evaluation report date, the inventory is unqualified, outdated, or has no market value, the inventory cost shall be offset to net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future but may cause major changes.

6. Descriptions of Material Accounting Items

a. Cash and cash equivalents

	2023.12.31	2022.12.31
Working capital	$ 95	95
Demand deposit and check deposit	291,430	346,927
	$ 291,525	**347,022**

b. Financial assets and liabilities measured at fair value through profit and loss - current

	2023.12.31	2022.12.31

Mandatory financial assets- measured at fair value through profit and loss - current:			
Foreign exchange forward contracts	$	28,705	17,316
Exchange contracts		32,322	-
	$	**61,027**	**17,316**
Financial liabilities held for transaction - current			
Exchange contracts	$	-	(1,800)
	$	**-**	**(1,800)**

For the amount remeasured at fair value and recognized in profit or loss, please refer to Note 6 (21).

1) Derivative financial instruments

The 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 exchange forward contracts

2023.12.31

Contract amount (NT$ thousand)	Type of currency	Due date
USD$ 15,000	Buy RMB Call/USD Put	2024.01.25
USD 31,000	Buy JPY Call/USD Put	2024.01.24~2024.02.22

2022.12.31

Contract amount (NT$ thousand)	Type of currency	Due date
USD$ 30,000	Buy RMB Call/USD Put	2023.01.31
USD 18,000	Buy JPY Call/USD Put	2023.01.19~2023.02.24

2) Exchange contracts

2023.12.31

Contract amount (NT$ thousand)	**Type of currency**	**Due date**
USD$ 86,000	Buy NTD Call/USD Put	2024.01.19~2024.01.30

2022.12.31

Contract amount (NT$ thousand)	**Type of currency**	**Due date**
USD$ 40,000	Buy NTD Call/USD Put	2023.01.31

c. Financial assets at fair value through other comprehensive income

		2023.12.31	**2022.12.31**
Equity instruments measured at fair value through other comprehensive gains and losses:			
Stocks listed in the emerging stock market in Taiwan	$	63,840	54,549
Unlisted stocks		96,007	96,504
	$	**159,847**	**151,053**
Current	$	63,840	54,549
Non-current		96,007	96,504
	$	**159,847**	**151,053**

The Company designated the aforementioned investments as financial assets at FVTOCI because these equity instruments are held for long-term strategic purposes and not for trading.

In 2023 and 2022, no disposal of the above strategic investments was conducted and hence no transfer of cumulative profit or loss on equity was recognized.

d. Notes and accounts receivable

		2023.12.31	**2022.12.31**
Notes receivable	$	9,917	8,925
Accounts receivable		1,641,188	1,907,788
Deduction: Allowance for impairment loss		(1,595)	(14,263)
		1,649,510	1,902,450
Accounts receivable - related parties		1,246,040	917,223
	$	**2,895,550**	**2,819,673**

1) The 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 Company as of December 31, 2023 and 2022 was as follows:

	2023.12.31		
	Book amount of accounts and notes receivable	Weighted average loss rate	Loss allowance for lifetime expected credit losses
Not pass due	$ 2,877,772	0.0330%	951
Pass due 1~30 days	19,252	2.7166%	523
Past due for more than 91 days	121	100%	121
	$ 2,897,145		1,595

	2022.12.31		
	Book amount of accounts and notes receivable	Weighted average loss rate	Loss allowance for lifetime expected credit losses
Not pass due	$ 2,736,687	0.0296%	809
Pass due 1~30 days	28,187	1.4865%	419
Pass due 31~60 days	32,501	2.6891%	874
Pass due 61~90 days	25,652	4.8807%	1,252
Past due for more than 91 days	10,909	100%	10,909
	$ 2,833,936		14,263

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

	2023	2022
Balance at beginning of year	$ 14,263	125
Impairment loss (gain on reversal of impairment loss)	(12,199)	14,138
Amounts written off as uncollectible for the year	(469)	-
Balance at end of year	$ 1,595	14,263

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

2023.12.31						
Sale object	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters
Taipei Fubon Bank	$ 247,778	-	223,000	24,778	1.90%	Guaranteed promissory note 92,250
KGI Bank	196,667	-	177,000	19,667	2.20%	Guaranteed promissory note 92,250
	$ 444,445	-	400,000	44,445		184,500

2022.12.31						
Sale object	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters
E.Sun Bank	$ 225,506	-	202,956	22,550	4.97%~5.10%	None -
Taipei Fubon Bank	218,941	-	197,047	21,894	5.29%	None -
KGI Bank	57,962	-	52,166	5,796	5.73%	Guaranteed promissory note 921,900
	$ 502,409	-	452,169	50,240		921,900

For information related to the transfer of related parties' rights in account receivables that meets the derecognition conditions, please refer to Note 7.

e. Other receivables

	2023.12.31	2022.12.31
Other receivables - account receivables sale minus advance price balance (Notes 6 (4) and 7)	$ 75,111	137,650
Other receivables - others	2,062	973
Other receivables - related parties	7,548	1,703
Deduction: Allowance for loss	-	-
	$ 84,721	140,326

The Company's other receivables as of December 31, 2023 and 2022 have no expected credit losses after assessment.

f. Inventory

	2023.12.31	2022.12.31
Raw material	$ 1,174,690	979,706
Work in progress	994,265	702,768
Finished goods	646,869	640,376
	$ 2,815,824	2,322,850

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

	2023	2022
Inventory cost has been sold	$ 11,915,865	12,206,979
Reversal of allowance for inventory market price decline	(10,823)	208,459
	$ 11,905,042	12,415,438

The loss of inventory falling price is the loss of inventory falling price recognized as the 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.

g. Investments accounted for using the equity method

	2023.12.31	2022.12.31
Subsidiaries	$ 4,888,589	2,687,292
Associates	465,829	480,749
	$ 5,354,418	3,168,041

1) Subsidiaries

Please refer to the 2023 Consolidated Financial Statements.

2) Acquisition of subsidiaries - Web-Pro Co., Ltd. (Web-Pro) and its subsidiaries

a) Acquisition of transfer consideration from subsidiaries

On January 3, 2023 (the acquisition date), the Company bought a 51% equity in Web-Pro from its shareholders by a total amount of NT$3,161,999 thousand, thereby obtaining control over the company. Therefore, from the acquisition date onwards, Web-Pro and its subsidiaries were included in the Combined Company. Web-Pro and its subsidiaries are mainly engaged in the manufacturing, processing, and trading of spunlace nonwoven and all kinds of PE breathable films. The acquisition of Web-Pro and its subsidiaries by the Company is aimed at expediting the group's expansion in the healthcare sector. This strategic move involves leveraging core research and development capabilities and manufacturing technologies to venture into the development of medical-related materials. Furthermore, it facilitates access to the existing customer base and overseas locations of Web-Pro and its subsidiaries.

b) Acquisition of identifiable net assets

The fair value of the identifiable assets acquired and liabilities assumed by Web-Pro on January 3, 2023 (acquisition date) are as follows:

Transfer consideration:		
Cash		$ 3,161,999
Non-controlling interests (measured as identifiable net assets in proportion to non-controlling interests)		3,014,592
Fair value of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	$ 1,380,961	
Notes and accounts receivable, net	268,543	
Other receivables	6,926	
Inventories, net	262,705	
Other current assets	45,959	
Property, plant and equipment	4,279,762	
Right-of-use assets	329,406	
Intangible assets - patent	23,250	
Deferred tax assets	15,282	
Other financial assets - non-current	9,252	
Guarantee deposits paid	7,386	
Other non-current assets	35,041	
Notes and accounts payable	(80,201)	
Other payables	(183,262)	
Lease liabilities - current	(4,112)	
Other current liabilities	(2,584)	
Deferred tax liabilities	(234,453)	
Lease liabilities - non-current	(7,042)	-
Other non-current liabilities	(590)	6,152,229
Goodwill		**$ 24,362**

3) Goodwill impairment tests

For the cost of the acquisition of long-term equity investments accounted for using the equity method, if it exceeds the net fair value of identifiable assets and liabilities assumed of the investee companies on the acquisition date, the exceeded amount shall be recognized as goodwill, if there is goodwill impairment, it shall be recognized as a decrease in the book value in investment accounted for using the equity method. As of December 31, 2023 and 2022, goodwill derived from the merger is taken as cash generating unit under individual subsidiaries and listed as follows:

	2023.12.31	2022.12.31
Cenefom	$ 32,262	32,262
Web-Pro	24,362	-
	$ 56,624	**32,262**

The above-mentioned cash generating units are the smallest units under the return on investment of assets (including goodwill) supervised by the management. Based on the results of the goodwill impairment tests of the above-mentioned cash generating units carried out by the Company, the recoverable amount of the above-mentioned cash generating units as of December 31, 2023 and 2022 is higher than their book value, so there is no need to recognize the impairment loss. The recoverable amount of each of the cash generating units is determined based on the value in use, and the relevant key assumptions are as follows:

The key assumptions used to estimate the value in use are as follows:

	2023.12.31	2022.12.31
Cenefom:		
Operating revenue growth rate	13%~86%	2%~77%
Discount rate	22.38%	22.96%
Web-Pro:		
Operating revenue growth rate	4.2%~33.2%	-
Discount rate	12.18%	-

a) The estimated future cash flows used are based on the five-year financial budgets projected by management based on future operating plans, with cash flows over five years extrapolated at an annual growth rate of 1%.

b) The discount rate for determining the value in use is based on the weighted average cost of capital.

4) Associates

			2023.12.31		2022.12.31	
Name of associates	**Nature of relationship with the Company**	**Principal business place/country of incorporation**	**Voting rights%**	**Book amount**	**Voting rights%**	**Book amount**
Visco Vision Inc. (Visco Vision)	Its main business is to manufacturer and sell disposable contact lenses, and it is a strategic partner of the Company.	Taiwan	14.82%	457,486	14.82%	471,428
MLK Bioscience Co., Ltd. (MLK)	Its main business is to research, develop and sell medical devices, and it is a strategic partner of the Company.	Taiwan	20.00%	4,086	20.00%	4,347
Coatmed Incorporation (Coatmed)	Its main business is to sell medical devices, and it is a strategic partner of the Company.	Taiwan	9.98%	4,257	9.98%	4,974
				$ 465,829		480,749

In November 2022, the Company disposed of a portion of Visco Vision's equity with a cash consideration of NT$84,000 thousand, resulting in a disposal investment gain of NT$67,230 thousand. In addition, the Company did not participate in the subscription of capital increase exercise initiated by Visco Vision in November 2022, which have diluted the Company's equity in Visco Vision to 14.82% (however this did not lead to the loss of significant control in Visco Vision), resulting in an increase in the capital reserve of NT$184,705 thousand and a disposal investment loss of NT$3,131 thousand.

The Company did not participate in the capital increase exercise initiated by Coatmed Incorporation (hereinafter referred to as "Coatmed") in October 2022, which have diluted the Company's equity in Coatmed to 9.98%; however, the Company still serves as the director of Coatmed and involves in decision making. Therefore, this did not lead to the loss of significant control in Coatmed.

The share of net profit of associates of the Company in 2023 and 2022 was NT$47,693 thousand and NT$110,101 thousand, respectively.

The fair value of listed associates which have materiality to the Company is as follows:

		2023.12.31	**2022.12.31**
Visco Vision	$	2,025,429	2,655,458

The above ordinary shares of Visco Vision began to be listed on the Taiwan Stock Exchange on November 28, 2022.

The summary of financial information of associates that have materiality to the Company are as follows:

a) Aggregated financial information of Visco Vision

		2023.12.31	**2022.12.31**
Current assets	$	1,783,674	2,651,705
Non-current assets		2,940,284	2,642,290
Current liabilities		(884,926)	(956,308)
Non-current liabilities		(856,615)	(1,228,947)
Net assets	**$**	**2,982,417**	**3,108,740**
Net assets attributable to non-controlling interests	**$**	**17,477**	**24,528**
Net assets attributable to owners of the investee company	**$**	**2,964,940**	**3,084,212**

		2023	**2022**
Operating revenue	**$**	**2,397,675**	**2,777,524**
Net profit for the current period	$	294,562	614,009
Other comprehensive income		(74,385)	96,671
Total comprehensive income	**$**	**220,177**	**710,680**
Total comprehensive income attributable to non-controlling interests	**$**	**(7,051)**	**(3,422)**
Total comprehensive income attributable to owners of the investee company	**$**	**227,228**	**714,102**

		2023	2022
The Company's share of net assets of associates at the beginning of the period	$	471,428	213,301
Net profits attributable to the Company in the current period		48,678	111,231
Other comprehensive income attributable to the Company in the current period		(11,285)	16,392
Capital reserve attributable to the Company in the current period		-	184,705
Dividends received from associates in the current period		(51,335)	(39,335)
Disposal of associates in the current period		-	(14,866)
Book value of the Company's equity in associates at the end of the period	$	457,486	471,428

b) The aggregated financial information of individual insignificant associates accounted for using the equity method of the Company is as follows, and such financial information is the amount included in Parent Company Only Financial Statements of the Company:

	2023.12.31	2022.12.31
Aggregated book value of equity of individual insignificant associates at the end of the period	$ 8,343	9,321

		2023	2022
Share attributable to the Company:			
Net loss of the period	$	(985)	(1,130)
Other comprehensive income		7	(5)
Total comprehensive income	$	(978)	(1,135)

h. Changes in ownership interest in subsidiaries

In 2023, the Company increased its shareholding in Genejet by NT$4,544 thousand in cash, which increased the equity held by the Company from 70.00% to 75.63%. Furthermore, as Cenefom issued new shares in 2023 due to employees exercising stock options for common shares, it led to a decrease in the Company's equity in Cenefom. However, this did not result in a loss of control.

In 2022, the Company increased its shareholding in Cenefom by NT$180,706 thousand in cash, which increased the equity held by the Company from 34.83% to 51.34%.

The effects of the above-mentioned changes in the ownership interest of subsidiaries on the Company's equity are as follows:

	2023	2022
Retained earnings - difference between the acquisition price of the subsidiary's equity and the book value	$ (1,123)	(30,506)
Retained earnings - changes in ownership interests in subsidiaries recognized	(301)	-
	$ (1,424)	(30,506)

i. Property, plant and equipment

	Land	Housing and structures	Machinery equipment	Others	Total
Cost:					
Balance as of January 1, 2023	$ 1,344,108	2,546,671	5,227,402	2,519,421	11,637,602
Addition	-	12,580	119,875	1,013,719	1,146,174
Disposal	-	-	(7,301)	(2,595)	(9,896)
Reclassification	-	13,921	81,684	(100,799)	(5,194)
Balance as of December 31, 2023	$ 1,344,108	2,573,172	5,421,660	3,429,746	12,768,686
Balance as of January 1, 2022	$ 1,344,108	2,521,091	5,065,975	2,089,656	11,020,830
Addition	-	25,580	183,341	583,651	792,572
Disposal	-	-	(168,212)	(4,586)	(172,798)
Reclassification	-	-	146,298	(149,300)	(3,002)
Balance as of December 31, 2022	$ 1,344,108	2,546,671	5,227,402	2,519,421	11,637,602
Accumulated depreciation:					
Balance as of January 1, 2023	$ -	1,472,330	4,465,056	1,689,375	7,626,761
Depreciation for the period	-	85,853	222,375	117,083	425,311
Disposal	-	-	(7,301)	(2,595)	(9,896)
Balance as of December 31, 2023	$ -	1,558,183	4,680,130	1,803,863	8,042,176
Balance as of January 1, 2022	$ -	1,388,787	4,431,663	1,590,310	7,410,760
Depreciation for the period	-	83,543	188,481	103,651	375,675
Disposal	-	-	(155,088)	(4,586)	(159,674)
Balance as of December 31, 2022	$ -	1,472,330	4,465,056	1,689,375	7,626,761
Carrying value:					
December 31, 2023	$ 1,344,108	1,014,989	741,530	1,625,883	4,726,510
December 31, 2022	$ 1,344,108	1,074,341	762,346	830,046	4,010,841
January 1, 2022	$ 1,344,108	1,132,304	634,312	499,346	3,610,070

For the details of property, plant, and equipment that have been used as guarantees for long-term borrowings and financing lines, please refer to Note 8.

j. Right-of-use assets

	Housing and structures
Right-of-use assets cost:	
Balance as of January 1, 2023 (i.e., balance as of December 31, 2023)	$ 539,018
Balance as of January 1, 2022	$ 478,716
Addition	474,749
Derecognition in the current period	(414,447)
Balance as of December 31, 2022	$ 539,018
Accumulated depreciation of right-of-use assets:	

	Housing and structures
Balance as of January 1, 2023	$ 15,975
Depreciation for the period	102,479
Balance as of December 31, 2023	**$ 118,454**
Balance as of January 1, 2022	$ 340,698
Depreciation for the period	89,724
Derecognition in the current period	(414,447)
Balance as of December 31, 2022	**$ 15,975**
Carrying value:	
December 31, 2023	**$ 420,564**
December 31, 2022	**$ 523,043**
January 1, 2022	**$ 138,018**

k. Intangible assets

	Purchased software	Others	Total
Cost:			
Balance as of January 1, 2023	$ 290,795	512	291,307
Separate acquisition	33,161	-	33,161
Reclassification	480	-	480
Balance as of December 31, 2023	**$ 324,436**	**512**	**324,948**
Balance as of January 1, 2022	$ 259,601	512	260,113
Separate acquisition	28,192	-	28,192
Reclassification	3,002	-	3,002
Balance as of December 31, 2022	**$ 290,795**	**512**	**291,307**
Accumulated amortization:			
Balance as of January 1, 2023	$ 268,486	512	268,998
Amortization for the year	33,522	-	33,522
Balance as of December 31, 2023	**$ 302,008**	**512**	**302,520**
Balance as of January 1, 2022	$ 228,967	512	229,479
Amortization for the year	39,519	-	39,519
Balance as of December 31, 2022	**$ 268,486**	**512**	**268,998**
Carrying value:			
December 31, 2023	**$ 22,428**	**-**	**22,428**
December 31, 2022	**$ 22,309**	**-**	**22,309**
January 1, 2022	**$ 30,634**	**-**	**30,634**

l. Short-term borrowings

	2023.12.31	2022.12.31
Unsecured bank loans	**$ 1,490,000**	**1,051,460**
Unused credit line	**$ 7,572,298**	**7,569,915**
Interest rate range	**1.75%~1.85%**	**1.37%~4.80%**

m. Long-term borrowings

		2023.12.31	2022.12.31
Unsecured bank loans	$	3,358,841	1,265,488
Secured bank loans		1,440,000	-
Less: Long-term borrowings due within one year		(381,943)	(181,486)
Total	$	4,416,898	1,084,002
Unused credit line	$	7,176,340	5,796,100
Expiration year		113~122	112~119
Interest rate range		**1.75~2.27%**	**1.63~1.68%**

1) Collateral for bank loans

Please refer to Note 8 for details on assets pledged as collateral for secured bank borrowings.

2) Government low-interest loans

The Company obtained low-interest bank loans in accordance with the "Action Plan for Welcoming Overseas Taiwanese Business to Return to Invest in Taiwan" at the beginning of 2020 and 2023, the actual repayment preferential interest rates as of December 31, 2023 and 2022 were 1.25%~1.60% and 1.13%~1.18%, respectively. The actual amount of transfer amounted to NT$2,280,070 thousand and NT$1,278,350 thousand, respectively. The fair value of the loan was NT$2,239,880 thousand and NT$1,253,770 thousand based on market interest rates of 1.75%~1.90% and 1.63%~1.68%, respectively, and the difference of NT$40,190 thousand and NT$24,580 thousand, respectively, is considered as government subsidies and recognized as deferred income. In 2023 and 2022, the amount of the aforementioned deferred income transferred to "other income" amounted to NT$7,243 thousand and NT$4,872 thousand, respectively.

3) Financial ratio agreement in loan contract

According to the provisions of the joint loan contract with the bank, the 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 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 Company as of December 31, 2023 and 2022 were in compliance with the agreed standards of the joint loan contract.

n. Lease liabilities

The carrying amount of lease liabilities is as follows:

		2023.12.31	2022.12.31
Current:			
Related parties	$	93,401	91,746
Non-related parties	$	5,796	6,966
Non-current:			

Related parties	$ 289,379	382,780
Non-related parties	$ 36,421	42,217

Please refer to Financial risk management of Note 6 (23) for expiry analysis.

The amounts recognized in profit or loss were as follows:

	2023	2022
Short-term lease expense	$ 3,714	5,044
Interest expense - lease obligations payable	$ 8,565	1,851

The amounts recognized in the statements of cash flows are:

	2023	2022
Total cash flows on lease	$ 110,991	105,986

1) Lease of buildings and constructions

The Company leases houses and buildings as factories and dormitory with the lease term of five to ten years usually. If the lease expires, a new contract and rate must be negotiated, the Company will reassess the relevant right-of-use assets and lease liabilities.

2) Other leases

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

o. Employee benefits

1) Defined benefit plans

The reconciliation between the present value of the defined benefit obligations and the fair value of the plan assets of the Company is as follows:

	2023.12.31	2022.12.31
Present value of defined benefit obligations	$ 65,565	70,097
Fair value of plan assets	(53,449)	(50,266)
Net defined benefit liabilities (listed as other non-current liabilities)	$ 12,116	19,831

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The retirement payment of each employee subject to the Labor Standards Law is calculated based on the base number of years of service and the average salary of the six months before retirement.

a) Composition of plan assets

The retirement fund contributed by the Company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds Utilization, Ministry of Labor (hereinafter referred to as Bureau of Labor Funds), and utilized according to the provisions of “Regulations on Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”; with regard to the utilization of the funds, lowest earnings in final settlement shall not be less than the earnings attainable from two- year time deposits with interest rates offered by local banks.

As of December 31, 2023 and 2022, the balances of the Taiwan Bank's special account for labor retirement reserves of the Company were NT$53,449 thousand and NT$50,266 thousand, respectively. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

	2023	2022
Service cost and interest of the period	$ 70,097	60,559
Current interest cost	1,397	454
Remeasurement of net defined benefit liabilities		
－Actuarial profits and losses due to experience adjustments	2,314	2,239
－Actuarial profits or losses arising out of changes in financial assumptions	(8,243)	6,845
Service cost and interest of the end period	**$ 65,565**	**70,097**

c) Changes in the fair value of planned assets

	2023	2022
Fair value of plan assets at beginning period	$ 50,266	44,480
Interest revenue	1,022	341
Remeasurement of net defined benefit liabilities		
—Actuarial profits or losses	50	3,366
Funds contributed by the employer	2,111	2,079
Fair value of plan assets at end period	$ 53,449	50,266

d) Change of asset upper limit impacts

The Company did not determine the impact of the maximum number of assets of the defined benefit plans in 2023 and 2022.

e) Expenses recognized in profit or loss

	2023	2022
Net interest on net defined benefit liability assets	$ 375	113
Operating costs	$ 214	59
Operating expenses	161	54
	$ 375	113

f) Remeasurement of the net defined benefit liability recognized as other comprehensive revenue

	2023	2022
Accumulated balance at beginning period	$ (35,824)	(30,106)
Recognition of the period	5,979	(5,718)
Accumulated balance at end of period	$ (29,845)	(35,824)

g) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of welfare obligations at the financial reporting date are as follows:

	2023.12.31	2022.12.31
Discount rate	1.875%	2.000%
Future salary increases rate	3.00%	4.00%

The Company expects to pay NT$2,227 thousand to the defined benefit plan within one year after the reporting date in 2023. The weighted average duration of defined benefit plans is 16.99 years.

h) Sensitivity analysis

	Impact on defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2023		
Discount rate	(2,238)	2,319
Future salary increases rate	2,249	(2,181)
December 31, 2022		
Discount rate	(2,548)	2,657
Future salary increases rate	2,568	(2,477)

With other assumptions unchanged, above sensitivity analysis analyzes effects of changes in single assumption. In practice, many changes in assumptions may be linked together. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

2) Defined contribution plans

The definite allocation plan of the Company is in accordance with the provisions of the Labor Pension Regulations, and is allocated to the labor pension individual account of the Labor Insurance Bureau at a rate of 6% of the labor's monthly salary. CMP's contributions to the Bureau of Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

The details of the following methods for determining the appropriation of pensions are as follows:

	2023	2022
Operating costs	$ 36,200	37,693
Operating expenses	28,282	26,882
	$ 64,482	64,575

p. Income tax

1) Income tax expense

	2023	2022
Income tax expenses of the period		
Accrued in current year	$ 27,767	145,844
Adjustments to income tax expenses of previous period	(1,928)	(12,234)
	25,839	133,610
Deferred income tax expenses		
Occurrence and reversal of temporary differences	30,504	52,071
Income tax expense	$ 56,343	185,681

There was no income tax that was directly recognized in equity or other comprehensive incom3e for the Company in 2023 and 2022.

The reconciliation of income tax expenses and income before income tax for 2023 and 2022 were as follows:

	2023	2022
Profit before tax	$ 470,695	1,481,351
Income tax calculated by domestic tax rate of the Company's domicile	$ 94,139	296,270
Domestic investment gains recognized under equity method	(32,412)	(57,096)
Non-deductible impairment and expenses	9,790	11,334
Gains from tax exemption	(605)	(13,156)
Investment deduction	(11,900)	(51,904)
Previous income tax adjustment	(2,669)	233
Income tax expense	$ 56,343	185,681

2) Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities of 2023 and 2022 are as follows:

Deferred income tax assets:

	Allowance for loss of inventory depreciation	Fixed asset tax differential	Allowance for sales discount	Others	Total
January 1, 2023	$ 96,519	28,493	17,577	77,949	220,538
(Debit) credit revenue statement	(15,780)	414	(1,782)	(6,012)	(23,160)
December 31, 2023	$ 80,739	28,907	15,795	71,937	197,378
January 1, 2022	$ 54,827	28,079	12,563	48,672	144,141
(Debit) credit revenue statement	41,692	414	5,014	29,277	76,397
December 31, 2022	$ 96,519	28,493	17,577	77,949	220,538

Deferred tax liabilities:

	Share of profit from subsidiaries accounted under equity method	Others	Total
January 1, 2023	$ 249,077	3,164	252,241
Debit (credit) income statement	(1,758)	9,102	7,344
December 31, 2023	$ 247,319	12,266	259,585
January 1, 2022	$ 116,231	7,542	123,773
Debit (credit) income statement	132,846	(4,378)	128,468
December 31, 2022	$ 249,077	3,164	252,241

3) Income tax approved

The ROC income tax authorities have examined the Company's income tax returns up to 2021.

q. Capital and other equity

1) Common stock

As of December 31, 2023 and 2022, the total value of nominal capital stock both amounted to NT$4,800,000 thousand, with a par value of NT$10 per share, both consisting of 480,000 thousand shares. There were 320,675 thousand shares of ordinary shares being issued.

2) Capital reserve

The details of capital reserve were as follows:

	2023.12.31	2022.12.31
Changes in net equity of associates accounted under equity method	$ 192,352	192,352

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.

3) 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 legal reserve should be raised, and the special 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 legal reserve, and after the special 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 there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in amount.

b) Special reserve

According to regulations of Financial Supervisory Commission, when the Company distributes the distributable surplus, the net deduction of other shareholders' equity in the current year is reported, the net profit for the current period and items other than net profit for the current period are added to the undistributed surplus for the current period, and the special reserve is drawn from it 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 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 2022 and 2021 distributions of earnings were resolved at the directors' meetings held on February 23, 2023 and May 3, 2022, respectively, the cash dividends distributions are as follows:

	2022		2021	
	Earnings per share (NT$)	**Amount**	**Earnings per share (NT$)**	**Amount**
Dividends to ordinary shareholders:				
Cash	$ 2.00	**641,349**	1.50	**481,012**

The 2023 distributions of earnings were resolved at the directors' meetings held on February 22, 2024, the cash dividends distributions are as follows:

	2023	
	Earnings per share (NT$)	**Amount**
Dividends to ordinary shareholders:		
Cash	$ 1.20	**384,809**

Relevant information can be inquired through channels such as Market Observation Post System.

4) Other equity (after tax)

	Exchange differences arising on translation of financial statements of foreign operations	Remeasurement of defined benefit plans	Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	Total
January 1, 2023	$ (5,823)	(34,207)	(28,805)	(68,835)
The exchange differences yielded by net assets of overseas operating institutions:				
The Combined Company	(27,394)	-	-	(27,394)
Associates	(11,278)	-	-	(11,278)
Remeasurement of defined benefit plans	-	5,979	-	5,979
The remeasured share of the defined benefit plans of the subsidiary adopting the equity method	-	50	-	50
Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	-	-	8,794	8,794
Balance as of December 31, 2023	$ (44,495)	(28,178)	(20,011)	(92,684)
January 1, 2022	$ (51,470)	(28,929)	(22,910)	(103,309)
The exchange differences yielded by net assets of overseas operating institutions:				
The Combined Company	24,476	-	-	24,476
Associates	16,387	-	-	16,387
Remeasurement of defined benefit plans	-	(5,718)	-	(5,718)
The remeasured share of the defined benefit plans of the subsidiary adopting the equity method	-	440	-	440
Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	-	-	(5,895)	(5,895)
Proceeds from the disposal of associates accounted under equity method	4,784	-	-	4,784
Balance as of December 31, 2022	$ (5,823)	(34,207)	(28,805)	(68,835)

r. Earnings per share

1) Basic earnings per share

	2023	2022
Net profit attributable to holders of common equity of the Company	$ 414,352	1,295,670
The weighted average number of shares outstanding (thousand shares)	320,675	320,675
Basic earnings per share (NT$)	$ 1.29	4.04

2) Diluted earnings per share

	2023	2022
Net profit attributable to holders of common equity of the Company	$ 414,352	1,295,670
The weighted average number of shares outstanding (thousand shares)	320,675	320,675
Effect of potentially dilutive shares of common stocks (thousand shares):		
Impact of employee compensation	2,175	5,780
The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact)	322,850	326,455
Diluted earnings per share (NT$)	$ 1.28	3.97

s. Revenue from contracts with customers

1) Disaggregation of revenue

	2023		
	Film sheet segment	Medical segment	Total
Primary geographical markets:			
China	$ 8,245,866	486,161	8,732,027
Taiwan	3,905,950	798,956	4,704,906
Others	156,324	410,651	566,975
	$ 12,308,140	1,695,768	14,003,908
Main products/services:			
Functional sheet	$ 12,308,140	-	12,308,140
Medical products	-	1,695,768	1,695,768
	$ 12,308,140	1,695,768	14,003,908

	2022		
	Film sheet segment	Medical segment	Total
Primary geographical markets:			
China	$ 9,059,066	521,489	9,580,555
Taiwan	4,170,114	355,895	4,526,009
Others	303,992	370,074	674,066
	$ 13,533,172	1,247,458	14,780,630
Main products/services:			
Functional sheet	$ 13,533,172	-	13,533,172
Medical products	-	1,247,458	1,247,458
	$ 13,533,172	1,247,458	14,780,630

2) Contract balances

	2023.12.31	2022.12.31	2022.1.1

	2023.12.31	2022.12.31	2022.1.1
Notes receivable and accounts receivable (including related parties)	$ 2,897,145	2,833,936	3,099,192
Deduction: Allowance for loss	(1,595)	(14,263)	(125)
Total	$ 2,895,550	2,819,673	3,099,067

	2023.12.31	2022.12.31	2022.1.1
Contract liabilities (accounted under other current liabilities)	$ 43,675	35,107	6,958

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

Amount of contract liabilities for the period starting from January 1, 2023 and 2022, recognized as income in 2023 and 2022, were NT$28,575 thousand and NT$3,929 thousand, respectively.

t. 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.

In 2023 and 2022, the Company's employee bonus was set aside for NT$52,739 thousand and NT$165,978 thousand, respectively, and the director's bonus was set aside for NT$3,955 thousand and NT$12,448 thousand, respectively, which are estimated on the basis of the Company's pre-tax net profit before deducting the bonus of employees and directors in each period multiplied by the distribution percentage of the bonus of employees and directors stipulated in the Articles of Incorporation of the Company, and reported as the operating cost or expenses of 2023 and 2022. Upon any variance between the distribution of next year and the estimated amount, a change of accounting estimate shall follow and recognize in the profit or loss of next year. The compensation for employees and directors of the Company resolved by the Board of Directors is not different from the estimated amount in the Company's Parent Company Only Financial Statements for 2023 and 2022, and it is distributed in cash. For the relevant information, please refer to the Market Observation Post System.

u. Non-operating profit and loss

1) Interest revenue

	2023	2022
Interests on bank deposits	$ 8,484	486

2) Other revenue

	2023	2022
Dividend revenue	$ 3,024	1,680
Government subsidy revenue	16,839	4,922
	$ 19,863	6,602

3) Other gains and losses

	2023	2022
Losses on disposal of property, plant and equipment	$ -	(12,924)
Net profits from disposal of investment	-	64,099
Net profits from foreign currency exchange	109,212	280,596

	2023	2022
Net losses from financial assets (liabilities) at fair value through profit or loss - derivative instruments	(138,782)	(292,307)
Others	21,153	(6,001)
	$ (8,417)	33,463

4) Financial costs

	2023	2022
Interest expenses of bank loans	$ (112,391)	(48,839)
Lease liabilities	(8,565)	(1,851)
	$ (120,956)	(50,690)

v. Types of financial instruments and fair value

1) Types of financial instruments

a) Financial assets

	2023.12.31	2022.12.31
Financial assets at fair value through profit or loss:		
Foreign exchange forward contracts	$ 28,705	17,316
Exchange contracts	32,322	-
Subtotal	61,027	17,316
Financial assets at fair value through other comprehensive income	159,847	151,053
Financial assets at amortized cost:		
Cash and cash equivalents	291,525	347,022
Notes receivable, accounts receivables, and other receivables (including related parties)	2,980,271	2,959,999
Other financial assets - current	9,675	10,464
Guarantee deposits paid	7,402	6,919
Subtotal	3,288,873	3,324,404
Total	$ 3,509,747	3,492,773

b) Financial liabilities

	2023.12.31	2022.12.31
Financial liabilities at fair value through profit and loss:		
Exchange contracts	$ -	1,800
Financial liabilities measured at amortized cost:		
Short-term borrowings	1,490,000	1,051,460
Accounts payable and other payables (including related parties)	4,265,445	4,524,457
Long-term borrowings (including loans due within one year)	4,798,841	1,265,488
Lease liabilities - current and non-current (including related parties)	424,997	523,709
Guarantee deposits received	342	630
Subtotal	10,979,625	7,365,744
Total	**$ 10,979,625**	**7,367,544**

2) Information of fair value

a) Financial instruments that are not measured at fair value

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

b) 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:

i. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

ii. Level 2: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., price) or indirectly (i.e., derived from prices).

iii. Level 3: Level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable parameters).

	2023.12.31				
		Fair value			
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Foreign exchange forward contracts	$ 28,705	-	28,705	-	28,705
Exchange contracts	32,322	-	32,322	-	32,322
	$ 61,027	-	61,027	-	61,027
Financial assets at fair value through other comprehensive income:					
Stocks listed in the emerging stock market in Taiwan	$ 63,840	-	63,840	-	63,840
Non-listed stocks	96,007	-	-	96,007	96,007
Subtotal	$ 159,847	-	63,840	96,007	159,847

	2022.12.31				
		Fair value			
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Foreign exchange forward contracts	$ 17,316	-	17,316	-	17,316
Financial assets at fair value through other comprehensive income:					
Stocks listed in the emerging stock market in Taiwan	$ 54,549	-	54,549	-	54,549
Non-listed stocks	96,504	-	-	96,504	96,504
Subtotal	$ 151,053	-	54,549	96,504	151,053
Financial liabilities at fair value through profit and loss:					
Exchange contracts	$ (1,800)	-	(1,800)	-	(1,800)

3) The assessment methods and assumptions followed for assessing fair value

a) 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 Company is estimated based on the average transaction price of the stock market on the day.

The fair value of the 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.

b) 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.

4) Fair value level and transfer

The Company did not have any financial assets and liabilities transferred in the fair value hierarchy in 2023 and 2022.

5) Statement of changes in Level 3 fair value hierarchy:

Financial assets at fair value through other comprehensive income:

	2023	2022
Balance at beginning of year	$ 96,504	9,187
Purchase of the period	-	92,271
Changes in other comprehensive income recognized in the current period	(497)	(4,954)
Balance at end of year	$ 96,007	96,504

w. Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including exchange rate risk, interest rate risk, and equity instrument price risk) due to its business activities. This note demonstrates the risk information of the aforementioned various risks of the Company, and the Company's policies and procedures for measuring and managing these risks, and quantitative disclosure.

The Board of Directors of the Company is responsible for developing and controlling the risk management policy of the Company. The establishment of the risk management policy is to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are reviewed regularly to reflect changes market conditions and the Company's activities.

The management of the Company supervises and reviews financial activities in accordance with relevant regulations and internal control systems. Internal auditors play a role in supervision and regularly report the review results to the Board of Directors.

1) Credit risk

Credit risk refers to the risk of the financial loss of the Company due to the failure of the counterparty to perform the contractual obligations. As of the financial report date, the main potential credit risk of the Company comes from financial assets such as bank deposits and accounts receivable from customers. The book value of the Company's financial assets represents the maximum credit risk amount.

The deposits and derivative financial products of the Company are traded in banks with good credit, and no significant credit risk will arise.

Due to the characteristics of the industry, the film sheet products of the Company are concentrated in a small number of customers, which makes the Company have a significant concentration of credit risk. As of December 31, 2023 and 2022, the ratio of the top five customers in the balance of accounts receivable (including related parties) was 63% and 43%, respectively. The Company has established a credit policy, according to which each customer's credit status is analyzed individually to determine its credit limit, and the customer's financial status is continuously evaluated on a regular basis and insurance is used to reduce risks.

2) Liquidity risks

Liquidity risk refers to the risk that the Company fails to deliver cash or other financial assets to pay off financial liabilities and fails to fulfill relevant obligations. The 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 Company as of December 31, 2023 and 2022 amounted to NT$14,748,638 thousand and NT$13,366,015 thousand, respectively.

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

	Contract cash flow	Within 6 months	6-12 months	1-5 years	More than 5 years
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,499,828	996,134	503,694	-	-
Accounts payable (including related parties)	3,255,717	3,255,717	-	-	-
Other payables (including related parties)	1,009,728	1,009,728	-	-	-
Long-term borrowings (floating rate)	5,084,845	174,296	294,195	3,785,468	830,886
Lease liabilities (including related parties)	442,099	53,454	52,532	320,470	15,643
Guarantee deposits received	342	-	-	-	342
	$ 11,292,559	5,489,329	850,421	4,105,938	846,871
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,056,403	854,991	201,412	-	-
Accounts payable (including related parties)	3,334,042	3,334,042	-	-	-
Other payables (including related parties)	1,190,415	1,190,415	-	-	-
Long-term borrowings (floating rate)	1,327,529	68,641	130,497	886,503	241,888
Lease liabilities (including related parties)	549,377	53,639	53,639	420,571	21,528
Guarantee deposits received	630	-	-	-	630
	$ 7,458,396	5,501,728	385,548	1,307,074	264,046
Exchange contracts - net delivery	$ 1,800	1,800	-	-	-

The Company does not expect a significant difference in the cash flows timing or the actual amount from the maturity analysis.

3) Market risk

Market risk refers to the risk that changes in market prices, such as exchange rate, interest rate, and equity instrument price will affect the earnings of the Company or the value of the financial instruments it holds. Financial risk management aims to manage the level of exposure to market risk within an acceptable range and maximize return on investment.

In order to manage market risks, the Company engages in derivative transactions, and its use is regulated by the policies adopted by the Board of Directors. Generally, the Company adopts hedging operations to manage profit and loss fluctuations.

a) Exchange rate risk

The Company is exposed to exchange rate risk arising from sales, procurement, and loan transactions that are not denominated in functional currencies. The functional currency of the Company is NTD. These non-functional currency transactions are mainly denominated in USD and JPY.

The hedging strategy of the Company is to sign forward foreign exchange contracts and exchange contracts to manage the exchange rate risk of the net foreign currency positions generated by the sales and purchase transactions that have occurred.

i. Risk and sensitivity analysis of exchange rate risk

The exchange rate risk of the Company mainly comes from foreign currency denominated cash and cash equivalents, accounts receivable (payable) (including related parties), other receivables (payables) (including related parties), bank loans, etc. Foreign currency exchange gains and losses occur at the time of conversion. The book value of major monetary assets and liabilities of the Company that are not denominated in functional currencies at the reporting date are as follows:

Currency unit: Thousands

	2023.12.31				
	Foreign currency	**Exchange rate**	**New Taiwan Dollar**	**Exchange rate changes**	**Profit and loss impact**
Financial assets					
USD	$ 95,344	30.750	2,931,828	1%	29,318
JPY	76,095	0.2175	16,551	1%	166
Financial liabilities					
USD	38,744	30.750	1,191,378	1%	11,914
JPY	6,750,742	0.2175	1,468,286	1%	14,683

	2022.12.31				
	Foreign currency	**Exchange rate**	**New Taiwan Dollar**	**Exchange rate changes**	**Profit and loss impact**
Financial assets					
USD	$ 100,657	30.730	3,093,190	1%	30,932
JPY	39,987	0.2330	9,317	1%	93
Financial liabilities					
USD	50,352	30.730	1,547,317	1%	15,473
JPY	5,803,273	0.2330	1,352,163	1%	13,522

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the details of the foreign exchange gains (losses) (including both realized and unrealized amount) for the years ended December 31, 2023 and 2022, please refer to Note 6 (21).

b) Interest rate risk

The Company's bank borrowings are all based on floating interest rates. In response to the risk of interest rate changes, the Company mainly adopts regular assessments of bank and currency borrowing rates, and maintains good relationships with financial institutions to obtain lower financing costs. Simultaneously, it cooperates with methods such as strengthening working capital management to reduce the degree of dependence on bank loans and diversify the risk of interest rate changes.

The sensitivity analysis below is determined based on the interest rate risk of non-derivative instruments on the reporting date. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year. If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the Company's net profit before tax for 2023 and 2022 will decrease or increase by NT$62,888 thousand and NT$23,169 thousand, respectively, which was due to the floating interest rate borrowings of the Company.

c) Equity instrument price risk

The stocks of domestic listed companies and non-listed companies held by the Company are subject to the risk of price changes in the equity securities market. The Company manages and monitors investment performance based on fair value.

The sensitivity analysis of the stock price risk of holding the aforementioned domestic listed companies and non-listed companies is based on the fair value changes on the reporting date. If the price of equity instruments increases/decreases by 5%, the amount of other comprehensive income for 2023 and 2022 will increase/decrease by NT$7,992 thousand and NT$7,553 thousand.

x. Capital management

The Company plans the capital management of the Company based on the characteristics of the current operating industry and the future development of the Company, as well as factors such as changes in the external environment, to ensure that the Company has the necessary financial resources and operating plans to meet the future needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures.

y. Non-cash investing and financing activities

1) For details of the acquisition of the right-of-use assets by the Company through leasing in 2023 and 2022, please refer to Note 6 (10).

2) The adjustment of liabilities from financing activities is as follows:

			Non-cash changes	
	2023.1.1	Cash flow	Evaluation adjustment	2023.12.31
Short-term borrowings	$ 1,051,460	438,540	-	1,490,000
Long-term borrowings (including loans due within one year)	1,265,488	3,541,720	(8,367)	4,798,841
Guarantee deposits received	630	(288)	-	342
Lease liabilities (including related parties)	523,709	(98,712)	-	424,997
Total liabilities from financing activities and capitalization	$ 2,841,287	3,881,260	(8,367)	6,714,180

			Non-cash changes		
	2022.1.1	Cash flow	Addition on lease liabilities	Evaluation adjustment	2022.12.31
Short-term borrowings	$ 576,800	474,660	-	-	1,051,460
Long-term borrowings (including loans due within one year)	1,303,330	(39,650)	-	1,808	1,265,488
Guarantee deposits received	330	300	-	-	630
Lease liabilities (including related parties)	148,051	(99,091)	474,749	-	523,709
Total liabilities from financing activities and capitalization	$ 2,028,511	336,219	474,749	1,808	2,841,287

7. Related Party Transactions

a. The parent company and the ultimate controlling party

Qisda Technology Co., Ltd. is the ultimate controller of the Company and its subsidiaries, holding 43.56% of the Company's outstanding ordinary shares. Qisda Technology Co., Ltd. has prepared a consolidated financial statement for public use.

b. The names and relationships of related parties

Name of related parties	Relationship with the Company
Qisda Technology Co., Ltd. (Qisda)	Parent company of the Company
BenQ Materials (L) Co.(BMLB)	Subsidiary of the Company
BenQ Materials (Suzhou) Corp. (BMS)	Subsidiary of the Company
Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Subsidiary of the Company
BenQ Materials (Wuhu) Corp. (BMW)	Subsidiary of the Company
BenQ Materials Medical (Suzhou) Co., Ltd. (BMM)	Subsidiary of the Company
Sigma Medical Supplies Corp. (Sigma-Medical)	Subsidiary of the Company
Suzhou Sigma Medical Supply Co., Ltd. (SGS)	Subsidiary of the Company
Cenefom Corp. (Cenefom)	Subsidiary of the Company
Genejet Biotech Co., Ltd. (Genejet)	Subsidiary of the Company
Web-Pro Co., Ltd. (Web-Pro)	Subsidiary of the Company (Note)
Beyond Top Pte Ltd (WPSG)	Subsidiary of the Company (Note)

Name of related parties	Relationship with the Company
Web-Pro (Vietnam) Co., Ltd (WPVN)	Subsidiary of the Company (Note)
Visco Vision Inc. (Visco Vision)	Associates of the Company
MLK Bioscience Co., Ltd.	Associates of the Company
Visco Technology Sdn. Bhd.(VVM)	A subsidiary of Visco Vision
Other related parties:	
BenQ Foundation for Culture and Education	The actual related parties of Qisda
Darfon Electronics Co., Ltd. (Darfon)	Associates of Qisda
AUO Corporation (AUO)	The corporate shareholder of Qisda accounting under equity method
AU Optronics (Suzhou) Corporation (AUS)	Subsidiary of AUO
AU Optronics (Kunshan) Corporation	Subsidiary of AUO
AU Optronics (Xiamen) Corporation (AUX)	Subsidiary of AUO
Darwin Precision Industry Corporation	Subsidiary of AUO
Darwin Precision Industry (Xiamen) Co., Ltd.	Subsidiary of AUO
AUO Display Plus Corp.	Subsidiary of AUO
Daji Education Development Co., Ltd.	Subsidiary of AUO
Jector Digital Corporation	Subsidiary of AUO
DFI Inc.	Subsidiary of Qisda
BenQ Asia Pacific Corporation	Subsidiary of Qisda
BenQ Asia Pacific Malaysia Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific Singapore Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific Thailand Co., Ltd.	Subsidiary of Qisda
ACE Energy Co., Ltd.	Subsidiary of Qisda
MetaGuru Corporation (formerly known as BenQ Guru Corporation)	Subsidiary of Qisda
BenQ Corporation	Subsidiary of Qisda
Eastech Co., Ltd.	Subsidiary of Qisda
Concord Medical Co., Ltd.	Subsidiary of Qisda
Partner Tech Corp.	Subsidiary of Qisda
BenQ Medical Technology Corporation	Subsidiary of Qisda
BenQ AB DentCare Corporation	Subsidiary of Qisda
BenQ Healthcare Corporation	Subsidiary of Qisda
Standard Technology Corp.	Subsidiary of Qisda
Lily-Medical Corporation	Subsidiary of Qisda
Suzhou Qisda Electronics Co., Ltd.	Subsidiary of Qisda
Metaage Corporation	Subsidiary of Qisda
Ace Pillar Co., Ltd.	Subsidiary of Qisda

Name of related parties	Relationship with the Company
Data Image Corporation	Subsidiary of Qisda
Aewin Technologies Co., Ltd.	Subsidiary of Qisda
AdvancedTEK International Corp.	Subsidiary of Qisda
Global Intelligence Network Co., Ltd.	Subsidiary of Qisda
Simula Technology Inc.	Subsidiary of Qisda
Alpha Networks Inc.	Subsidiary of Qisda
Epic Cloud Co., Ltd.	Subsidiary of Qisda
DSIGroup Co., Ltd.	Subsidiary of Qisda
Actian Star Technology Co., Ltd.	Subsidiary of Qisda
Diva Laboratories, Ltd.	Subsidiary of Qisda

Note 1: On January 3, 2023, the Company obtained control over Web-Pro, and Web-Pro and its subsidiaries became the Company's subsidiaries.

c. Significant transactions with related parties

1) Sales revenue

	2023	2022
Subsidiaries:		
BMM	$ 437,210	479,636
Sigma-Medical	267,973	229,851
BMW	36,736	33,766
DTB	2,071	1,619
Other subsidiaries	1,839	52
Other related parties:		
AUO	3,387,870	3,283,317
AUS	925,859	953,580
AUX	801,710	826,266
Others	11,891	10,847
Associate - VVM	164,588	169,156
Other associates	502	765
Parent company	13	-
	$ 6,038,262	5,988,855

The transaction price sold to related parties is not significantly different from the general sales price, except that there is no general transaction price to compare due to the different specifications of some commodities. The collection period is 60~180 days, which has no significant difference from ordinary transactions.

2) Purchases

		2023	2022
Subsidiary - BMS	$	964,131	945,890
Subsidiary - BMW		69,399	195,077
Subsidiary - BMM		11,993	1,145
Subsidiary - Sigma-Medical		-	20
Other subsidiaries		1,529	1,322
Associate - Visco Vision		386,076	351,033
Other associates		-	10
Other related parties		-	65
	$	**1,433,128**	**1,494,562**

The Company's purchase price from related parties is incomparable with the general transaction price due to different product specifications. It is processed in accordance with the agreed purchase price and conditions.

3) Property transaction

The acquisition prices of various assets acquired by the Company from related parties are summarized as follows:

Related parties category	Account item	2023	2022
Parent company	Intangible assets	150	2,349
Other related parties	Intangible assets	9,921	8,084
Other related parties	Property, plant and equipment	1,645	7,720
		11,716	**18,153**

The Company sold the machinery and equipment to other related parties in January 2022 at a selling price of NT$320 thousand, resulting in a disposal loss of NT$2,405 thousand. As of December 31, 2022, the relevant price has been collected.

4) Leases

The Company leases factories and offices from AUO, and the rent is paid on a monthly basis with reference to the rent prices in the neighboring areas. In 2022, the Company signed a new lease agreement with AUO for the lease of office and plant, and recognized the right-of-use assets and lease liabilities in the same amount of NT$474,749 thousand. The recognized interest expenses related to lease liabilities in 2023 and 2022 were NT$7,742 thousand and NT$902 thousand, respectively. The balance of lease liabilities as of December 31, 2023 and 2022 were NT$382,780 thousand and NT$474,526 thousand, respectively.

5) Donation

The Company has contributed donation to BenQ Foundation for Culture and Education in 2023 and 2022, with the amount of NT$2,500 thousand and NT$3,000 thousand, respectively.

6) Operating costs and expenses

The detailed breakdown of operating costs and expenses incurred by the Company for services such as technical consultation, marketing promotion, and advances provided by related parties is as follows:

Account item	Related parties category	2023	2022
Operating costs	Subsidiaries	$ 351	-
	Parent company	781	-
	Other related parties	300	530
Operating expenses	Subsidiaries	7,091	25,831
	Parent company	8,211	6,391
	Other related parties	11,008	5,220
	Associates	96	-
		$ 27,838	37,972

7) Manpower support

The Company provides manpower support services to a subsidiary, Sigma-Medical. The receivable amount for 2023 was NT$5,247 thousand and recorded under other gains and losses, and relevant receivables that have not received are categorized under other receivables - related parties.

The Company provides manpower support services to a subsidiary, Genejet. The receivable amounts for 2023 and 2022 were NT$1,912 thousand and NT$1,703 thousand, respectively, and recorded under other gains and losses and deduction of operating expenses. Relevant receivables that have not received are categorized under other receivables - related parties.

8) Amounts receivable from related parties

In summary, the details of the accounts receivable from related parties of the Company are as follows:

Account item	Related parties category	2023.12.31	2022.12.31
Accounts receivable - related parties, net	Subsidiary - BMM	$ 235,738	54,627
	Subsidiary - Sigma-Medical	51,015	7,569
	Subsidiary - BMW	34,656	3,595
	Subsidiary - DTB	1,182	842
	Other subsidiaries	262	174
	Other related parties - AUO	770,725	495,602
	Other related parties - AUS	69,998	155,639
	Other related parties - AUX	51,067	165,969
	Other related parties - others	1,237	1,676
	Associates	30,151	31,530
	Parent company	9	-
		1,246,040	917,223
Other receivables - related parties	Subsidiaries	7,517	1,703
	Parent company	31	-
		7,548	1,703
		$ 1,253,588	918,926

The Company sells the account receivables from related parties to the financial institution in a non-recourse manner in accordance with the agreement of the account receivables sale contract signed with the financial institution. The relevant information related to the transfer of creditor's rights in account receivables that meets the derecognition conditions is as follows:

2023.12.31

Underwriter	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters
CTBC Bank Co., Ltd.	**$ 306,666**	**-**	**276,000**	**30,666**	**1.97%**	**None**

2022.12.31

Underwriter	Sale amount	Amount still available in advance	Advance amount	Shown as other receivables (Note 6 (5))	Interest rate range	Other important matters	
Mega International Commercial Bank	$ 512,167	-	460,950	51,217	5.44%	Guaranteed promissory note	150,000
CTBC Bank Co., Ltd.	361,931	-	325,738	36,193	5.10%	None	-
	$ 874,098	-	786,688	87,410			150,000

9) Payables to related parties

In summary, the details of the amounts due to related parties by the Company are as follows:

Account item	Related parties category	2023.12.31	2022.12.31
Accounts payable - related parties	Subsidiary - BMS	$ 509,510	732,800
	Subsidiary - BMW	77,577	127,458
	Other subsidiaries	5,670	577
	Associate - Visco Vision	54,473	34,905
		647,230	895,740
Other payables - related parties	Parent company	1,659	100
	Subsidiaries	10,617	31,808
	Other related parties	12,175	19,654
	Associates	-	11
		24,451	51,573
		$ 671,681	947,313

d. Compensation of major managerial personnel

	2023	2022
Short-term employee benefits and compensation	$ 50,825	68,360
Retirement benefits	324	324
	$ 51,149	68,684

8. Pledged Assets

The details of the asset carrying value pledged as collateral by the Company are as follows:

Asset name	Purpose of pledge	2023.12.31	2022.12.31
Land, buildings and structures	Pledges of long-term borrowings	$ 605,565	617,584
Other financial assets - current	Customs deposits	9,675	10,464
		$ 615,240	**628,048**

9. Material Contingent Liabilities and Unrecognized Contractual Commitments

a. Significant unrecognized contract commitment:

	2023.12.31	2022.12.31
Signed and unpaid major engineering and equipment payments	$ 2,688,525	1,938,116
Unused letters of credit issued	599,974	1,552,960

10. Material Loss from Disaster: None

11. Material Subsequent Events: None.

12. Others

The functions of employee benefits, depreciation, and amortization expenses are summarized as follows:

Types of functions / Types of nature	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salary expenses	916,068	695,352	1,611,420	1,127,922	773,001	1,900,923
Labor insurance and national health insurance	93,827	51,897	145,724	96,626	49,962	146,588
Pension expenses	36,414	28,443	64,857	37,752	26,936	64,688
Board of Directors' remuneration	1,425	14,831	16,256	4,798	19,796	24,594
Other employee benefits expenses	65,510	27,638	93,148	61,174	26,161	87,335
Depreciation expenses	402,211	125,579	527,790	359,322	106,077	465,399
Amortization expenses	10,718	22,804	33,522	15,837	23,682	39,519

	2023	2022
Number of employee	**1,681**	**1,733**
Number of directors who do not serve as employees	**7**	**7**
Average employee benefits expenses	**$ 1,144**	**1,274**
Average employee salary expenses	**$ 963**	**1,101**
Average employee salary adjustment	**(12.53)%**	**6.69%**
Supervisor's remuneration	**$ -**	**-**

The compensation and remuneration policy (including directors, managers, and employees) of the Company are as follows:

The remuneration of the directors of the Company is authorized by the Board of Directors in accordance with the Articles of Incorporation of the Company, and depends on the degree of participation and contribution value of the directors in the Company's operations. It will also be issued in accordance with the "Remuneration Measures for Directors and Functional Committee Members" stipulated by the domestic and foreign peers. In addition, if the Company has surplus, the Board of Directors shall resolve the amount of directors' remuneration in accordance with the Articles of Incorporation of the Company.

The appointment, dismissal, and remuneration of the general manager and deputy general managers of the Company shall be performed in accordance with company regulations. The remuneration standard is based on the remuneration policies and principles of the Company's remuneration committee and the Board of Directors, and the remuneration is issued with reference to the usual industry standards, company operating income, profitability, and individual performance of managers.

The main remuneration principle of the Company's employees is to connect responsibilities and performance results and provide market-competitive remuneration to attract, retain and cultivate talents for a long time, reflecting the Company's business risks and corporate governance structure instead of using short-term profit as the only indicator of salary and performance evaluation, and connect the long-term value of shareholders.

13. Supplementary Disclosures

a. Information on significant transactions

In accordance with the requirements of the regulations in 2023, the Company shall re-disclose the relevant information of significant transactions as follows:

1) Loaning funds to others:

Unit: NTD Thousands

No.	Lending company	Lending subject	Contact accounts	Whether he/she is related party	Highest endorsement or guarantee amount for current period	Balance at end of year	Actual amount expenditure	Interest rate range	Nature of financing (Note 4)	Transaction amount	Reason for financing	Provision for allowance for loss amount	Collateral		Limit on loans granted to a single party	Fund loan and total limit	Note
													Name	Value			
1	BMS	BenQ Materials (Wuhu) Corp.	Other receivables - related parties	Yes	1,180,045 (RMB 265,000)	1,149,146 (RMB 265,000)	881,590 (RMB 203,300)	1.30%	2	-	Operating turnover	-		-	1,907,217	1,907,217	(Note 1)
2	BMS	BenQ Materials Medical (Suzhou) Co., Ltd.	Other receivables - related parties	Yes	444,170 (RMB 100,000)	433,640 (RMB 100,000)	86,294 (RMB 19,900)	1.30%	2	-	Operating turnover	-		-	1,907,217	1,907,217	(Note 1)
3	Web-Pro	Web-pro (Vietnam) Co.,Ltd	Other receivables - related parties	Yes	860,000	215,250 (USD 7,000)	123,000 (USD 4,000)	1.00%~2.87%	2	-	Operating turnover	-		-	630,668	1,261,337	(Note 2)
4	DTB	BenQ Materials Medical (Suzhou) Co., Ltd.	Other receivables - related parties	Yes	22,209 (RMB 5,000)	21,682 (RMB 5,000)	16,045 (RMB 3,700)	1.30%	2	-	Operating turnover	-		-	37,864	37,864	(Note 3)

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: The maximum limit for the total amount of the Web-Pro fund loan is set at 40% of the net value of the latest audited financial statements, certified by the accountant. Individual loan amounts shall not exceed 20% of the net value of the latest audited financial statements, certified by the accountant.

Note 3: The total amount of the DTB 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 DTB with the certificate of accountant.

Note 4: Those who have business dealings with the nature of capital loans are 1, and 2 for those who require short-term financing.

2) Endorsements/guarantees provided for others: None.

3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint equity):

Name of company held	Type and name of marketable securities	Relationship with the securities issuer	Listed accounts	Ending balance				
				Shares	Book amount	%	Fair value	Note
The Company	Shares of Biodenta Corporation	–	Financial assets at fair value through profit or loss	225	(Note)	2.50%	-	-
The Company	Shares of Lagis Corporation	–	Financial assets at fair value through other comprehensive income	1,680	63,840	5.25%	63,840	-
The Company	Shares of Summed Corporation	–	Financial assets at fair value through other comprehensive income	300	1,929	2.73%	1,929	-
The Company	Shares of Cuumed Catheter Medical Co., Ltd.	–	Financial assets at fair value through other comprehensive income	3,429	94,078	8.76%	94,078	-

(Note): It was all recognized as impairment losses.

4) The cumulative amount of purchase or selling the same securities reaches NT$300 million or more than 20% of the paid-in capital:

Companies involved in purchasing and selling	Type and name of marketable securities	Listed accounts	Counterparty	Relationship	Beginning Balance		Purchase		Sell				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Sale price	Book cost	Disposal of gains/losses	Shares	Amount
The Company	Web-Pro	Investments accounted for using the equity method	Previous shareholders of Web-Pro	N/A	-	-	35,700	3,161,999	-	-	-	-	35,700	2,908,093
Web-Pro	WPSG	Investments accounted for using the equity method	-	Parent company and subsidiaries	15,000	393,845	15,000	444,425 (Note 2)	-	-	-	-	30,000	765,713
WPSG	WPVN	Investments accounted for using the equity method	-	Parent company and subsidiaries	-	367,385	-	465,103 (Note 2)	-	-	-	-	-	758,203

Note 1: This represents the amount adjusted for the current period's profit or loss recognized under the equity method, dividend distributions, and other related adjustments.

Note 2: This represents cash capital increase of subsidiaries.

5) The amount of property acquired reaches NT$ 300 million or more than 20% of the paid-in capital:

Companies acquiring property	Name of asset	Date of occurrence	Transaction amount	Price payment situation	Counterparty	Relationship	The counterparty is a related party, and its previous transferred data				Reference basis for price determination	Objective of acquisition and usage	Other agreements
							Everyone	Relationship with publisher	Transfer date	Amount			
The Company	Housing and structures	Transaction signed on July 31, 2023	669,900 (tax included)	Unpaid	GO-IN Engineering Co., Ltd.	N/A	-	-	-	-	Inquiry & bargain	The Company's Plant in Yunke is under construction for production and operation	-

6) The amount of disposition of real estate reaches NT$300 million or more than 20% of the paid-in capital: None.

7) Those who purchase or sell with a related party in the amount of NT$100 million or more than 20% of the paid-in capital:

Vendor/ Customer	Counterparty	Relationship	Transaction details				Unusual transaction terms and reasons		Notes and accounts receivable (payable)		Note
			Purchase (sale) goods	Amount	Ratio to total purchase (sell)	Credit period	Price	Credit period	Balance	Ratio to total notes or accounts receivable (payable)	
The Company	AUO	Other related parties	Sale	3,387,870	24%	OA90	(Note 1)	(Note 3)	770,725	27%	
The Company	AUS	Other related parties	Sale	925,859	7%	OA90	〃	〃	69,998	2%	
The Company	AUX	Other related parties	Sale	801,710	6%	OA90	〃	〃	51,067	2%	
The Company	BMM	Parent company and subsidiaries	Sale	437,210	3%	OA180	〃	〃	235,738	8%	(Note 4)
The Company	Sigma-Medical	Parent company and subsidiaries	Sale	267,973	2%	OA180	〃	〃	51,015	2%	(Note 4)
The Company	VVM	Associates	Sale	164,588	1%	OA90	〃	〃	29,811	1%	
The Company	BMS	Parent company and subsidiaries	Purchases	(964,131)	9%	OA180	(Note 2)	〃	(509,510)	16%	(Note 4)
The Company	Visco Vision	Associates	Purchases	(386,076)	4%	OA60	〃	〃	(54,473)	2%	

Note 1: The price of the Company's sales to related parties is not significantly different from the general sales except that there is no general transaction price to compare due to the different specifications of some products.

Note 2: The Company's purchase price from related parties is incomparable with the general transaction price due to different product specifications. It is processed in accordance with the agreed purchase price and conditions.

Note 3: There is no significant difference between the transaction price and general transaction.

Note 4: For purchases and sales with subsidiaries, only the amount of the parent company will be disclosed, and the amount of its subsidiary will not be restated.

8) Receivables from related parties amounting to NT$100 million or 20% of the paid-in capital or more:

The companies that record such transactions as receivables	Counterparty	Relationship	Balance dues from related parties	Turnover rate (Note 1)	Overdue accounts receivables from related parties		Subsequently recovered amount from related party	Provision for allowance for loss amount
					Amount	Way of disposal		
BMS	The Company	Parent company and subsidiaries	509,510	1.55	20,059	-	50,342	-
The Company	AUO	Other related parties	770,725	3.81	-	-	-	-
The Company	BMM	Parent company and subsidiaries	235,738	3.01	-	-	-	-

Note 1: The turnover rate is calculated by adding back the amount of account receivables sold to financial institutions.

9) Engaged in derivative transaction: For information on the transaction of derivative financial products by the Combined Company, please refer to Note 6 (2) of the Consolidated Financial Statements.

b. Information on reinvestment:

The information on the reinvestment business of the Company in 2023 is as follows (excluding the mainland invested company):

Investment company name	Investee companies	Location	Major business items	Original investment amount		Hold at the end of the period			Profit or loss of invested company in the current period	Investment profit/loss recognized in the current period	Note
				End of this period	End of last year	Shares	Ratio (%)	Book amount			
The Company	BMLB	Malaysia	Holding company	499,790	1,141,340	14,082	100.00%	1,683,095	(8,791)	(8,791)	
The Company	Sigma-Medical	Taiwan	Sales of medical equipment	231,727	231,727	2,000	100.00%	38,526	21,965	22,184	
The Company	Visco Vision	Taiwan	Manufacturing and sales of contact lenses	168,771	168,771	9,334	14.82%	457,486	301,613	48,678	
The Company	Cenefom	Taiwan	Development, manufacturing, and sales of medical equipment	272,968	272,968	11,646	50.98%	213,973	(17,770)	(11,922)	
The Company	Genejet	Taiwan	Development, manufacturing, and sales of medical equipment	47,860	43,316	4,070	75.63%	44,902	390	(1,328)	
The Company	Web-Pro	Taiwan	Development, manufacturing, and sales of healthcare materials and equipment	3,161,999	-	35,700	51.00%	2,908,093	234,992	105,434	
The Company	MLK	Taiwan	Development and sales of medical equipment	6,000	6,000	217	20.00%	4,086	(1,306)	(268)	
The Company	Coatmed	Taiwan	Sales of medical equipment	5,980	5,980	598	9.98%	4,257	(6,912)	(717)	
Web-Pro	WPSG	Singapore	Holding company	895,139	-	30,000	100.00%	765,713	(67,969)	-	
WPSG	WPVN	Vietnam	Manufacturing and sales of healthcare materials and equipment	926,053	-	-	100.00%	758,203	(69,034)	-	

c. Information on investments in mainland China:

1) Information on reinvestments in mainland China:

Investee companies in mainland	Major business items	Paid-up capital	Way of investments (Note 1)	Cumulative investment amount remitted from Taiwan - beginning of the period	Investment amount remitted or received for the current period		Cumulative investment amount remitted from Taiwan - end of the period	Profit or loss of invested company in the current period	Percentage of ownership through the Company's direct or indirect investment	Investment profits (losses) recognized for the current period	Carrying Amount as of December 31, 2023	Investment profits repatriated by the end of the current period
					Remit	Receive						
BenQ Materials (Suzhou) Corp. (BMS)	Processing of film sheet products	246,000 (USD 8,000)	(3)	891,750 (USD 29,000)	-	641,550 (USD 21,000)	246,000 (USD 8,000)	62,933	100.00%	62,933 (Note 2)	1,907,217	-
Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Provision of services and sales of related products such as medical equipment	47,700 (RMB 11,000)	(2)	-	-	-	-	11,963	100.00%	11,963 (Note 2)	37,864	-
BenQ Materials (Wuhu) Corp. (BMW)	Manufacture and sales of film sheet and cosmetic-related products	346,912 (RMB 80,000)	(3)	173,456 (RMB 40,000)	-	-	173,456 (RMB 40,000) (Note 3)	(84,788)	100.00%	(83,481) (Note 2)	(265,293)	-
BenQ Materials Medical (Suzhou) Co., Ltd. (BMM)	Sales and manufacturing of medical equipment	65,046 (RMB 15,000)	(2)	-	-	-	-	1,175	100.00%	1,175 (Note 2)	46,477	-
Suzhou Sigma Medical Supply Co., Ltd. (Suzhou Sigma-Medical)	Sales of medical equipment	22,202 (USD 722)	(1)	22,202 (USD 722)	-	-	22,202 (USD 722)	(1)	100.00%	(1) (Note 2)	1,075	-

Note 1: Ways of investments are as follows:

a. Direct investment in mainland companies.

b. Reinvestment of the surplus of BMLB to China.

c. Investing in mainland companies through the establishment of companies in the third region.

Note 2: The investment profits and losses are recognized based on the financial statements checked by the Taiwanese parent company certified accountant.

Note 3: Excluding the reinvestment of RMB 10,950 thousand reinvested by BMLB.

2) Limits on investments in mainland China:

Unit: NTD Thousands

Company name	Cumulative investment amount remitted from Taiwan to the mainland at the end of the period	Amount of investment approved by the Ministry of Economic Affairs Investment Committee	Upper limit on investment authorized by MOEAIC
The Company	419,456 (USD8,000 and RMB40,000)	531,986 (USD8,000 and RMB65,950)	(Note)
Sigma-Medical	22,202 (USD 722)	22,202 (USD 722)	80,000

It is converted according to the exchange rate of USD to NTD of 30.75 and RMB to NTD of 4.3364 at the end of the period.

(Note) The Company has already acquired the certificate of corporate operation headquarters, so there is no limit on investment in mainland China.

3) Material transactions with investee companies in Mainland China:

Please refer to the "Information on significant transactions" section for direct or indirect major transactions between the Company and investees in mainland China for 2023.

d. Information on major shareholders:

Unit: Shares

Shareholding / Name of major shareholder	Holding shares	Share ownership %
BenQ Corporation	80,847,763	25.21%
Qisda Corporation	43,659,294	13.61%

Note: The major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.

14. Segment Information

For details, please refer to the 2023 Consolidated Financial Statements.

BenQ Materials Corporation

Chairman：Zhien-Chi (Z.C) Chen

BenQ
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