Stock Code: 8215

BenQ Materials Corp.

2019 Annual Report

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<u>Notice to readers</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Contents

Company Spokeman
Name: Sheng-Hsiang, Wang
Title: Chief Financial Offier
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TEL: +886 3 374 8800

Longtan Factory
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No.16, Kegon 16th Rd., Douliu City., Youlin County, 64064, Taiwan, R.O.C
TEL: +886 5 537 8800

Stock transfer agency
Name: Stock Affairs Department of Taishin Bank
Address: B1, No.96, Sec.1, Jianguo N. Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C
Website: http://www.taishinbank.com.tw
TEL: +886 2 2504 8125

Auditors
CPAs: Cih Jie, Tang , Wei Ming, Shih
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: +886 2 8101 6666

Oversea stock transfer information: None
Company Website: www.BenQMaterials.com

Letter to Shareholders

Shareholders Ms. and Mr .:

The combined revenue of BenQ Materials in 2019 is approximately NT$ 13.9 billion, increase approximately 9% over 2018. The net profit after tax is approximately NT$ 257 million, and the net profit per share after tax is NT$ 0.8. Although the international political and economic turmoil in 2019 is due to the turmoil between the US-China trade war and the industrial environment, panels, cars and PCs industries have also stagnated to decline, but with the efforts of all employees, overall revenue has grown for the past of two years, and the functional film and medical business All of them can continue to grow. Among them, the proportion of non-functional membrane revenue has exceeded 10% of the whole company, which means that BenQ materials transformation has achieved little success.

BenQ Materials prides itself on being a enterprise of multi-application, multi-technology and multi-product, constantly innovating to provide the highest customer satisfaction. Facing the display industry has entered a stage of long-term imbalance between supply and demand, the industry knockout has begun, and only excellence can survive. The display material part of the main business needs to accelerate high-end applications, strengthen technologies and products, and develop into high value-added areas, such as outdoor, automotive, industrial control and navigation. On the functional film, the excellence of high resolution, flexible screen and high weather resistance has made us win the Gold Panel Awards 2019 display component product technology award again this year. In addition to affirming the company's technological leadership, it also responds to external expectations for high value-added products . In addition to the continuous growth of the original medical products in the medical industry, the excellent sales performance of Tmall Double 11 in mainland China in 2019 means that the company has little sense of operation in the e-commerce brand. In the future, it must establish a solid brand awareness. At the same time, SIMO of NPWT (Wound Negative Pressure Therapy) won the German Red Dot Design Award, the environmentally friendly microporous film technology of debridement gel and waterproof breathable fabric, and also won the Taiwan Excellence Award. The battery material was officially recognized by Japanese manufacturers. And the results of marketing, once again echo the success of the company's transformation.

At the same time, the company also decided to strengthen its long-standing corporate social responsibility, establish a friendly work environment for employees, assist local smallholders in the economy, and start from a circular economy perspective to reduce the amount of use in design, manufacturing, sales and recycling. And waste recycling. Both the company and colleagues deeply understand that only by doing their own thing, starting from the surrounding community, and taking care of the environment in each link, can we build a sustainable business.

Looking forward to 2020, many new technologies, such as electric vehicles, automotive electronics, AI, digital finance and new medical technologies are gradually expanding their applications. The key to winning in the future is how to grasp these opportunities. BenQ Materials will not be absent. the world. The political and economic situation is changing, and the operating environment is constantly changing. When facing changing circumstances, we must have an insight into opportunities, deepen the layout of core capabilities, and agilely strengthen the business portfolio. Here, I look forward to the continued support of shareholders to jointly create the company's sustainable development.

Sincerely,

Chairman： General Manager： Accounting supervisor:

Company Profile

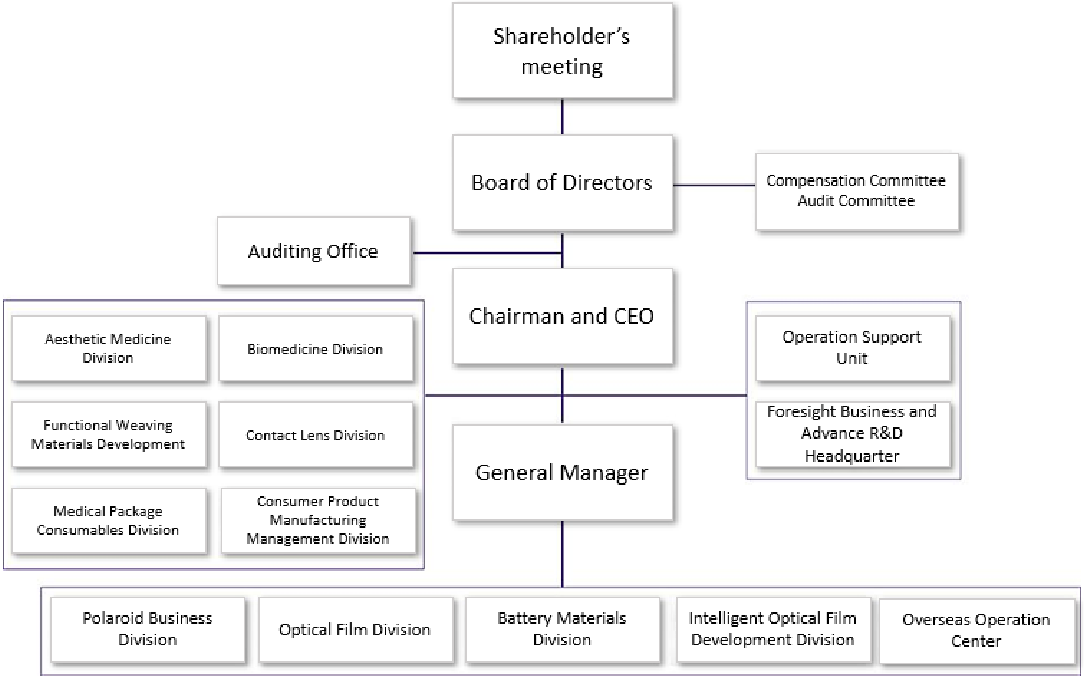
(一)Established date：1998- July- 16th

(二)Mileston

1998- 07 Established Daxon Technology Co., Ltd., with a capital of NT$ 10,000.
10 Offically shipped CD-ROMs。
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 indirecty from the third place and established Daxon Medical Technology (Suzhou) Co., Ltd, enegaged in themanufacture 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.
2002- 01 Established Daxon Technology Sdn. Bhd. In Malaysia.
2003- 04 Obtained the certification "Green Partner" by Japanese partner.
09 Taipei OTC center (TPEx) approved to log in as a counter stock.
2005- 05 Polarizers officially start shipping.
10 Established Suzhou plan and joined the product line of polarizers.
2006- 03 Become the lead for EWV series polarizers in the industry.
06 Fuji new sight angle compensation type large-size TV polarizer initial shipment.
2007- 05 Developed 65-inch LCD TV polarizer successfully.
12 Establishment of Polarizer factory in Longtan.
2008- 07 The trail production of the 2m wide polarized product line in Hsinchu plant
09 Apporved the application of Yunlin Industrial Zone, and engaged in the manufacture of polymer chmical products.
2009- 05 Approved by the MOEAIC to invest indirecty from the third place and established Daxon Medical Technology (Suzhou) Co., Ltd, enegaged in the manufacture and sales of medical related product series.
06 Touch-panel & e-Paper Optical Film 1st shipment.
2010- 03 Conducting provate placement of securities increase the capital in cash NT$ 200,000 thousand, and the paid in capital increased to NT2,865,301 thousand.
04 Establishment of Polarizer factory in Tainan.
06 Approved to changed company name to" BenQ Materials Co., Ltd." by the meeting of Shareholders.
09 Established Danite Material Technology (Wuhu) Co., Ltd with joint venture Wuhu Chery Technology Co., Ltd (each holding 50% of shares), engagied in the manufacturer and sales of lithium battery isolation frim products.
10 Financial Supervisory Commission (FSC) approved to publish the cash increas NT$ 236,000 thousand, and the paid-in capital increased to NT$ 3,101,301 thousand.
11 Listed on the Taiwan Stock Exchange.
2011- 04 End of CD-ROMs business development, and focus on the fied of membraneous materials science.
2012- 03 Taiwan officially launched the Miacare "Maire" sSilicone Contact Lens series.
08 Anscarehemostatic cotton and Miacare acne patch launched in Thai market.
Miacare Acne product series won the Grand Prize of Watsons creative Marketing in China.
2013- 06 Miacare Acne treatment series are launched in China.
12 Miacare silicone contact lens products series won the 2014 Taiwan Excellence Award.
2014- 01 Global launched the first color silicon contact lens "Miacare CONFiDence:.
08 Miacare contact lens products series are launched in Malaysia.
10 Contributing the sustainable development of environmental protection, and won the National Enterprise Environmental Protection Award.
Tainan plant obtained AEO Quality Enterprise Certification.
2015- 01 AnsCare ChitoClot Gauze, AnsCareChitoColt Artery Compression Device, and miacare CONFiDENCE silicone hydrogel color daily soft contact lens are awards Taiwan Excellence Awards 2015.
Miacare contact lens launched in Singapore.
Taoyuan plant and Longke plant obtained AEO Quality Enterprise Certification.
03 Reward the 3rd Potential Enterprise Award of the Ministry of Economic Affiars.
10 Miacare Silicaon Hydrogel Contact Lens (Daliy) was launched.
Offically launched "dermaAngel" skincare treatment product series.
2016- 01 AnsCare Scar Reduction Silicone Gel C+ and ChitoClot Bandage awarded Taiwa Excellence Awards 2016.
Miacare Silicone Hydrogel Contact Lens (Monthly) launched.
02 Miacare contact lens launched in China.
04 Acquired 100% equity of Danite Material Technology (Wuhu) Co., Ltd, and revised its name to BenQ Material (Wuhu) Co., Ltd.
09 End of Nanke branch operation.
2017- 01 Miacare Silicone Hydrogel Soft Contact Lens (1 Day) Comfort-Premium awarded Taiwan Excellence Awards 2017.
10 AnsCare LeniScar Silicone Stick and Miacare RELUX Silicone Hydrogel Contact Lens (Daily) awarded Taiwan Excellence Awards 2018.
2018- 07 Acquire SIGMA Medical Supplies Corporation.
10 Anscare SIMO negative pressure wound therapy system, Biacare CONFIDENCE Silicone Hydrogel Color Daily Soft Contact Lens (Meteor) and AirySektor warerproof & breathable protective pad awarded Taiwan Excellence Awards 2019.
2019- 03 Anscare SIMO negative pressure wound therapy system awarded the Red Dot Award- Product Design 2019.
07 Indirectly investment of BenQ Material Medical (Suzhou) Corporation establish in China by the third place approved by the MOEAIC, enegaged in the manufacture and sales of medical consumables and equipment
10 Anscare healus Wound Gel and Xpore Functional textile with waterproof & breathable features fabric awarded Taiwan Excellence Awards 2020.
2020-01 Officially launched Xpore at the ISPO Munich 2020 exhibition; awarded the ISPO Textrends Top 10 and ISPO Textrends Selection.

Organizational

(I) Organizational Chart



	Responsibility
Audit Office	The establishment and implementation of the company' s auditting 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
Biomedicine Division	Responsible for biomedical product planning, manufacturing, marketing sales and customer service.
Contact Lens Division	Responsible for contact lens product planning, manufacturing, marketing sales and customer service.
Aesthetic Medicine Division	Responsible for aesthetic medicine product planning, manufacturing, marketing sales and customer service.
Consumer Product Manufacturing Management Division	Responsible for product manufacturing related of aesthetic medicine and contact lens.
Functional Weaving Materials Development Division	Responsible for functional weaving materials product planning, manufacturing, marketing sales and customer service.。
Medical Package Consumables Division	Responsible for medical package consumables product planning, manufacturing, marketing sales and customer service.
Polaroid Business Division	Responsible for polaroid product planning, manufacturing, marketing sales and customer service.
Optical Film Division	Responsible for optical film product planning, manufacturing, marketing sales and customer service.
Advanced Battery Materials Division	Responsible for Advanced Battery Materials product planning, manufacturing, marketing sales and customer service.
Intelligent Optical Film Development Division	Responsible for intelligent optical film product planning, manufacturing, marketing sales and customer service.
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, strategic planning and other functions.

Director, Supervisor, and Management team

(I) Directors and Supervisors

1. Personal Profile

2020-04-20 : Unit: share, %

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected: Shares	Shareholding when Elected: %	Current Shareholding: Shares	Current Shareholding: %	Spouse & Minor Shareholding: Shares	Spouse & Minor Shareholding: %	Shareholding by Nominee Arrangement: Shares	Shareholding by Nominee Arrangement: %	Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship: Title	Executives, Directors or Supervisors who are spouses or within two degrees of kinship: Name	Executives, Directors or Supervisors who are spouses or within two degrees of kinship: Relation	Note
Chairman	Republic of China	Qisda Corporation	-	2019.06.19	3	1998.07.06	43,659,294	13.61%	43,659,294	13.61%	-	-	-	-	Ph, D., Swiss Federal Institute of Technology in Zurich M.S., Materials & Engineering, Unversity of Utah Director and Executive Vice President of Darfon Electronics Corp. Development Manager of Philips Taiwan Ltd.	Chairman of SIGMA Medical Supplies Corp. Director of BenQ Foundation	-	-	-	Note 1
	Republic of China	Representative: Zhien-Chi (Z.C) Chen	Male				-	-	1,227,000	0.38%	65,065	0.02%	-	-			-	-	-	
Director	Republic of China	Kuen-Yao (K.Y.) Lee	Male	2019.06.19	3	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.	Chairman of BenQ Corp. Chairman of BenQ Foundation Director of Qisda Corp. Director of AU Optronics Corp. Director of Darfon Electronic Corp.	-	-	-	-
Director	Republic of China	Eric Yu	Male	2019.06.19	3	2010.06.09	1,252,871	0.39%	1,252,871	0.39%	384,613	0.12%	-	-	M.S., Business Adminstration, University of Strathclyde Chairman of BenQ Materials Corp. Director of AU Optronic Corp. Financial Vice President of Qisda Corp.	Director of Visco Vision Inc.	-	-	-	-
Director	Republic of China	Qisda Corporation (Note 2)	-	2019.06.19	3	1998.07.06	43,659,294	13.61%	43,659,294	13.61%	-	-	-	-	The Graduate Institute of Technology & Innovation Management, National Chengchi University M.S., International Business Management, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center Executive Vice Presid BenQ Corp.	Chairman & CEO of Qisda Corp. Vice Chairman of Alpha Network Inc. Director of AU Optronic Corp. Director of Dafon Electronics Corp. Director of Hitron Technologies Inc. Director of BenQ Foundation	-	-	-	-
	Republic of China	Representative: Peter Chen	Male				-	-	72,825	0.02%	-	-	-	-						
Director	Republic of China	BenQ Corporation (Note 2)	-	2019.06.19	3	2007.10.17	80,847,763	25.21%	80,847,763	25.21%	-	-	-	-	M.S., Business Administration, Unversiy of Southern Mississippi Chairman of BenQ Material Corp. Vice President of Qisda Corp.	Chairman of BenQ Asia Pacific Corp. Chairman of Infty Corp. Directo and General Manager of BenQ Corp. Director of BenQ Foundation	-	-	-	-
	Republic of China	Representative: Conway Lee	Male				-	-	99,161	0.03%	-	-	-	-			-	-	-	
Independent Director	Republic of China	Fu-Hai Yeh	Male	2019.06.19	3	2003.05.22	-	-	-	-	-	-	-	-	Electronic Engineering, Feng Chia University General Manager of Arrow Electronics Taiwan Ltd.	Director and General Manager of WPG Holdings Ltd. Director of WPG Holdings affiliated venture	-	-	-	-
Independent Director	Republic of China	Chiou-Ming Chen	Male	2019.06.19	3	2006.05.18	-	-	-	-	-	-	-	-	M.S., Electrical Engineering, University of Rhode Island Electrical Engineering, National Taiwan Unversity Associate Director of Gold Circuit Electronics Purchasing General Manager of HP Taiwan Information Technology Ltd.	Member of Compensation Committee of Allied Circuit Co. Ltd.	-	-	-	-

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Louis Y.Y. Lu	Female	2019.06.19	3	2007.11.16	-	-	-	-	-	-	-	-	Ph.D Business and Management, National Chiao Tung University M.S., Computer Science, National Chiao Tung University Deputy Dean, College of Management, Yuan Ze University Manager of BenQ Corporation	Director of Grand Cathay Venture Capital Co., Ltd. Director of De Yang Biotech Venture Capital Co., Ltd.	-	-	-	-

(Note 1) The director and the general maanger 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, to strengthen the independence of the board of directors, the company has actively trained suitable candidateds; 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, 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. It will be arranged for directors to participate in professional director courses of external institutions evey 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 goverance.
4. More than half of the board members do not concurrently serve as emplyees or managers of any affiliates to strengthen the board's independence.

Note 2：Major shareholders of corporate shareholders

Name of legal shareholder	Major shareholders of corporate shareholders (Note 3)	Share (%)
Qisda Corporation	AU Opreonics Corporation (Note 4)	17.04
	Acer Incorporated (Note 4)	4.15
	Darfon Electronic Corporation (Note 4)	1.86
	China Trust Commercial is entrusted of Yuanta Taiwan's high-divided securities investment trust fund account	1.84
	Citi (Taiwan) Commercial Bank is entrusted with the investment account of Poluning Development National Fund Co., Ltd	1.34
	Citi (Taiwan) Commercial Bank is entrusted of Banguard's emerging market stock index fund investment acocunt	1.29
	American JPMorgan Chase Bank Taipei Branch is entrusted of Vanguard's emerging market stock index fund investment account	1.18
	The American JPMorgan Chase Bank Taipei Branch is entrusted of the series of series of the advanced Strlight Fund Company, the advanced aggregate international stock index fund investment account	1.14
	Citi (Taiwan) Commercial Bank is entrusted with investment account of thedimensional emerging market assessment fund	1.11
	Citi (Taiwan) Commercial Bank is entrusted with the investment account of Cleo Investment	0.87
BenQ Corporation	Qisda Corporation	100.00

Note 3:The resource of Qisda Corporationis base on the ex-dividend date 30th-July-2019.

Note 4：

Name of legal shareholder	Major shareholders of corporate shareholders (Note 5)	Share (%)
AU Opreonic Corporation	Qisda Corporation	6.9
	Hong Kong Merchants Financial Services Co., Ltd. depends on the depositary institutions American Citibank, AU Optoelectronics Co., Ltd. and depository receipt holders on May 29, 2002 to sign a depositary contract. The registration of the co-representative and the designated person of the depository institution	5.43
	Acer Incorporate	4.61
	Fubon Life Insurance Co., Ltd.	3.82
	Bank SinoPac Co., Ltd is entrusted with the trust propert special account of the Employee Sharholding Trust Management Committee of AU Optoelectronics Co., Ltd.	3.68
	Tong Hwei Enterprise Co., Ltd.	1.56
	American JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the series of funds of the PGIA Fund, the PGIA Taiwan Limited International Stock Index Fund	1.15
	Cathay Life Insurance Company, Ltd.	1.07
	The American branch of JPMorgan Chase Bank Taipei is entrusted with the custody of Vanguard's emerging market stock index fund investment account	0.97
	China Trust Commercial Bank is entrusted with the custody of Yuanta Taiwan Excellence 50 Securities Investment Trust Fund account	0.74
Acer Incorporate	Hung Rouan Investment Corp.	2.39
	Stan Shih	1.62
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, ASERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.50
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.47
	Management Board of Public Service Pension Fund	1.09
	Norges Bank	1.04
	Acer GDR	0.95
	Dimensional Emerging Markets Value Fund	0.87
	Polunin Developing Countries Fund, LLC	0.75
	Government of Singapore	0.73

Darfon Electronic Corporation	Qisda Corporation	20.72
	BneQ Corporation	6.81
	Citibank (Taiwan) Commercial Bank is entrusted with the custody of the Norwegian Central Bank investment account	1.97
	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	1.62
	Kai-Chien Su	1.45
	American JPMorgan Chase Bank Taipei Branch is entrusted with the custody of JP JPMorgan Securities Limited investment account	1.38
	HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Arcadia Emerging Markets	1.35
	HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Goldman Sachs	1.32
	The American branch of JP Morgan Chase Bank Taipei is entrusted with the custody of Vanguard's emerging market stock index fund investment account	1.23
	HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of JP Morgan Stanley	0.90

Note 5: The source of information for AU Optronics Co., Ltd. is based on the company's record of shareholders on July 19, 2019; the source of information for Acer Co., Ltd. is the company's information on the termination of transfer on April 16, 2019; The source of information for a Dafon Electronics by shares is the company's cessation of transfers on April 15, 2019.

2. Other resource

Professional qualifications and independence analysis of directors and supervisors

2020-04-20

Crieria / Name	Meet One of Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Qisda Corp. Representative: Zhien-Chi (Z.C) Chen			✓				✓		✓	✓	✓	✓	✓	✓		None
Kuen-Yao (K.Y.) Lee			✓	✓			✓		✓	✓	✓	✓	✓	✓	✓	None
Eric Yu			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Qisda Corp. Representative: Peter Chen			✓			✓	✓		✓	✓	✓	✓	✓	✓		None
BneQ Representative: Conway Lee			✓	✓		✓	✓			✓	✓	✓	✓	✓		None
Fu-Hai Yeh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chiou-Ming Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Louis Y.Y. Lu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office：

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

（2） Chairman, General Manager, Assistant General Manager, Deputy Assistant General Manager, and Managers of all divisions and branch units

2020-04-20; Unit: share %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Other persons holding shares in their name		Principle work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Managers with spouses or relative within second-degree of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	Taiwan, Replublic of China	Zhien-Chi (Z.C.) Chen	Male	2013.10.01	1,227,000	0.38%	65,065	0.02%	-	-	PH.D., Swiss Federal Institute of Technology in Zurich M.s., Materials Science & Engineering, University of Utah Director and Executive Vice President of Dafon Electronics Corp. Development Manager of Philips Taiwan Ltd.	Chairman of SIGMA Medical Supplies Corp. Director of BenQ Foundation Note 1	-	-	-	Note 2
General Manager	Taiwan, Replublic of China	Gary Liu	Male	2017.08.01	92,320	0.03%	-	-	-	-	Ph.D., Department of Optoelectronics, Jiaotong University	None	-	-	-	
Vice General Manager	Taiwan, Replublic of China	Pei-yi Liu	Male	2009.12.01	305,818	0.10%	-	-	-	-	MSc., Department of Optoelectronics, Jiaotong University	Director of Visco Vision Inc. Note 1	-	-	-	
Vice General Manager	Taiwan, Replublic of China	Chuan-jung Liu	Male	2015.11.01	-	-	-	-	-	-	Msc., Department of Inorganic Chemistry, Saitama University, Japan Executive Vice President of Sumika Technology Co., Ltd	Note 1				
Associate General Manager	Taiwan, Replublic of China	Lung-hai Wu	Male	2010.07.01	462	0.00%	517	0.00%	-	-	Ph.D., Department of Applied Chemistry, Jiaotong University Project Manager of Technology Department of Optimax Technology Corporation	None	-	-	-	
Associate General Manager	Taiwan, Replublic of China	Chen-kuan Kuo	Male	2014.01.01	190	0.00%	-	-	-	-	Ms., Department of Chemistry, Tamkang Universityf Research and Development Manager of Optimax Technology Corporation	None	-	-	-	
Associate General Manager	Taiwan, Replublic of China	Li-chuan Chiu	Female	2013.08.01	-	-	-	-	-	-	Msc., Department of Materials Engineering, Jiatong Univesity	None	-	-	-	
Associate General Manager	Taiwan, Replublic of China	Ting-yuan Chiang	Male	2014.01.01	-	-	37,611	0.01%	-	-	Ms., Deaprtment of Earth and Environmental Science, Chung Cheng University	Note 1	-	-	-	
Associate General Manager	Taiwan, Replublic of China	Chao-yi Yang	Female	2015.04.01	-	-	-	-	-	-	Ms., Department of Business Adminstration J & J Poduct Manager CIBA Vision Marketing Manager	None	-	-	-	
Finance Associate General Manager	Taiwan, Replublic of China	Sheng-hsiang Wang	Male	2006.03.01	173,488	0.05%	-	-	-	-	MS., Enterprise Research Institute of Chuo University Department of Statistics, Fu Jen University	Supervisor of Visco Vision Inc. Note 1	-	-	-	

Note 1: 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 2: The director and the general maanger 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, to strengthen the independence of the board of directors, the company has actively trained suitable candidateds; 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, 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. It will be arranged for directors to participate in professional director courses of external institutions evey 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 goverance.
4. More than half of the board members do not concurrently serve as emplyees or managers of any affiliates to strengthen the board's independence.

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

1. Remuneration paid to Directors and Independent Director

2019-12-31th; Unit: NT$ thousands

Title	Name	Remueration paid to Directors								Total remuneration (A+B+C+D) as a percentage of net income (%)		Compensation earned as employee of BenQ subsidiary affilates (Note 5)								Total compensation (A+B+C+D+E+F+G) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affilates
		Salary (A) (Note 1)		Retirement pay (B)		Remuneration (C) (Note 4)		Allowance (D) (Note 2)				Salary, Bonuses, and Allowance (E) (Note 3)		Retirement pay (F)		Employee compensation (G)						
		Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company		All consolidated entites		Company	All consolidated entities	
																cash	stock	cash	stock			
Corporate Director	Qisda Corporation	7,000	7,000	-	-	1,892	1,892	250	250	3.56	3.56	11,320	11,320	-	-	1,260	-	1,260	-	8.45	8.45	40,930
Representative, Chairman and CEO	Zhien-Chi (Z.C) Chen																					
Representative	Peter Chen																					
Corporate Director	BenQ Corporation																					
Representative	Conway Lee																					
Director	Kuen-Yao (K.Y.) Lee																					
Director	Eric Yu																					
Independent directors	Fu-Hai Yeh	4,200	4,200	-	-	811	811	150	150	2.01	2.01	0	0	0	0	0	0	0	0	2.01	2.01	0
	Chiou-Ming Chen																					
	Louis Y.Y. Lu																					
	Ming-Ching Wu																					

1. Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:
   (1) According to BMC's Articles of Incorporation, the Board of Directors is authorized to determine the salary for the Chairman, Vice Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas. Due to independent directors are members of Audit Committee requiring additional time to attend, their remuneration policy differ from the others.
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 dirctors' compesations in the year 2019 (include salary, allowances, severance pay, and various awards and bonuses.)

Note 2: The directors compensation of 2019.

Note 3: Expense relating to business execution by directors in the year 2019 (include transportation allowances, special allowances, various subsidies, accommodations, and personal cars etc.)

Note 4: The directors serving as emplolyees in the year 2019 (include those concurrently serving as CEO, General Manager, Assistant General Manager, or other managerial officers and employees)

Note 5: In the year 2018, directros who concurrently serve as employee (including concurrently serve as Chairman, General Manager, Assistant General Manager, other managers and employees) who receive employee compensation (including stock and cash dividends.)

Remuneration paid scale to Directors and Independent Directors

Scale of remunerations to managers of the Company	Name			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	Company	All consolidate affliates	Company	All consolidate affilates
Under NT$ 1,000,000	Louis Y.Y Lu, Ming-Ching Wu, Zhien-Chi (Z.C) Chen, Peter Chen, Conway Lee,	Louis Y.Y Lu, Ming-Ching Wu, Zhien-Chi (Z.C) Chen, Peter Chen, Conway Lee	Louis Y.Y Lu, Ming-Ching Wu, Peter Chen, Conway Lee	Louis Y.Y Lu, Ming-Ching Wu, Conway Lee
NT$ 1,000,000 (include)~ NT$ 2,000,000 (exclude)	Kuen-Yao Lee, Eric Yu, FuHai Yeh, Chiou-Ming Chen, BenQ Corporation	Kuen-Yao Lee, Eric Yu, FuHai Yeh, Chiou-Ming Chen, BenQ Corporation	Kuen-Yao Lee, Eric Yu, FuHai Yeh, Chiou-Ming Chen, BenQ Corporation	Eric Yu, FuHai Yeh, Chiou-Ming Chen, BenQ Corporation
2,000,000 (include)~ NT$ 3,500,000 (exclude)	-	-	-	-
3,500,000 (include)~ NT$ 5,000,000 (exclude)	Qisda Corporation	Qisda Corporation	Qisda Corporation	Qisda Corporation
5,000,000 (include)~ NT$ 10,000,000 (exclude)	-	-	-	-
10,000,000 (include)~ NT$ 15,000,000 (exclude)	-	-	Zhien-Chi (Z.C) Chen	Zhien-Chi (Z.C) Chen
15,000,000 (include)~ NT$ 30,000,000 (exclude)	-	-	-	Kuen-Yao Lee, Peter Chen
30,000,000 (include)~ NT$ 50,000,000 (exclude)	-	-	-	-
50,000,000 (include)~ NT$ 100,000,000 (exclude)	-	-	-	-
Over NT$ 100,000,000	-	-	-	-
Totla	10 (including 2 Representatives)	10 (including 2 Representatives)	10 (including 2 Representatives)	10 (including 2 Representatives)

2. Remuneration paid to Supervisors: Note applicable.

3. Remuneration paid to Chairman, General Manager and Assistant General Manager

2019-12-31; Unit: NT$ thousands

Title	Name	Salary (A)		Retirement pay(B)		Remuneration (C)		Allowance (D)(Note)				Total remuneration (A+B+C+D) as a percentage of net income (%)	Compensation paid to Directors from non-subsidiary affilates
		Company	All consolidated affilate	Company	All consolidated affilate	Company	All consolidated affilate	Company		All consolidated affilate			
								cash	share	cash	share		
CEO	Zhien-Chi (Z.C) Chen	13,887	13,887	324	324	21,549	21,549	3,710	-	3,710	-	15.35	None
General Manager	Ray Liu												
Vice General Manager	Oliver Liu												
Vice General Manager	Charles Liu												

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

Remuneration paid scale to CEO, General Manager and Assistant General Manager

Scale of remunerations to managers of the Company	Name of Chairman, Gener Manager and Assistant General Manager	
	Company	All consolidate affilates
Under NT$ 1,000,000	-	-
NT$ 1,000,000 (include)~ NT$ 2,000,000 (exclude)	-	-
2,000,000 (include)~ NT$ 3,500,000 (exclude)	-	-
3,500,000 (include)~ NT$ 5,000,000 (exclude)	-	-
5,000,000 (include)~ NT$ 10,000,000 (exclude)	Oliver Liu, Charles Liu	Oliver Liu, Charles Liu
10,000,000 (include)~ NT$ 15,000,000 (exclude)	Zhien-Chi (Z.C) Chen, Ray Liu	Zhien-Chi (Z.C) Chen, Ray Liu
15,000,000 (include)~ NT$ 30,000,000 (exclude)	-	-
30,000,000 (include)~ NT$ 50,000,000 (exclude)	-	-
50,000,000 (include)~ NT$ 100,000,000 (exclude)	-	-
Over NT$ 100,000,000	-	-
Totla	4	4

4.Names of managers who received employee compensation and status of distribution

Unit: NT$ thousand

Categories	Title	Name	Employee compensation-in stock	Employee compensation- in case (Note)	Total	Ratio of Total Amount to Net Income (%)
Managers	CEO	Zhien-Chi (Z.C) Chen	-	6,200	6,200	2.41
	General Manager	Ray Liu				
	Vice General Manager	Oliver Liu				
	Vice General Manager	Charles Liu				
	Associate General Manager	Lung-hai Wu				
	Associate General Manager	Chen-kuan Kuo				
	Associate General Manager	Ting-yuan Chiang				
	Associate General Manager	Li-chuan Chiu				
	Associate General Manager	Chao-yi Yang				
	Finance Associate General Manager	Sheng-hsiang Wang				

Note:The number of proposed allotments calculated with reference to the actual allotment ratio in previous years

(4) Totle 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

Fiscal year / Item	2018		2017	
	Company	All consolidated entities	Company	All consolidated entites
After-tax (loss) profit (NT$ thousand)	257,124	256,740	328,579	325,374
Directors remuneration share (%)	8.45	8.46	8.31	8.39
Proportion of remuneration of managers above deputy general manager (%)	15.35	15.37	11.50	11.61

(5) The company's remuneration policies, standards and portfolios, procedures for determining remuneration, and its relevance to operating performance and future risks

(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 contribution value, 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 shall, in accordance with the company's articles of association, decide the amount of directors' remuneration.

(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.The remuneration standard is based on the company's remuneration committee and the board of directors to determine the manager's remuneration policy and principles, and refers to the industry's usual level, the company's operating income, profitability and individual performance of managers to determine remuneration.

(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

The Board of Directors conducted 5 meetings. The Directors and Supervisors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman	Representative of Qisda Corporation: Zhien-Chi (Z.C) Chen	5	0	100%	2019.06.19 Re-election
Director	Representative of Qisda Corporation: Peter Chen	5	0	100%	2019.06.19 Re-election
Director	Representative of BenQ Corporation: Conway Lee	5	0	100%	2019.06.19 Re-election
Director	Kuen-Yao (K.Y.) Lee	5	0	100%	2019.06.19 Re-election
Director	Eric Yu	5	0	100%	2019.06.19 Re-election
Independent Director	Fu-Hai Yeh	4	1	80%	2019.06.19 Re-election
Independent Director	Chiou-Ming, Chen	5	0	100%	2019.06.19 Re-election
Independent Director	Louis Y.Y. Lu	3	0	100%	2019.06.19 New-elected
Independent Director	Ming-Ching Wu	2	0	100%	Former independent director

Other matters to be included:

1. If any of the following circumstances occur during board meetings, the date of said meeting, session number, proposal content, all independent director opinions, and the Corporation's responses to said independent director opinions:
   (1) According to Article 14-3 of the Securities and Exchange Act: The company has set up an audit committee and does not apply Article 14-3. For a description of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the Audit Committee Operations (page 16).
   (2) In addition to the pre-opened matters, other directors' meeting resolutions with a record or written statement opposed or reserved by independent directors: None.
2. The implementation of the director's avoidance of the proposal of interest shall state the name of the director, the content of the proposal, the reason for the avoidance of interest and the voting situation:

   The board of directors on March 11th., 2019 :
   Through the donation of the BenQ Foundation, the four directors: Chairman Zhien-Chi (Z.C) Chen and directors Kuen-Yao (K.Y.) Lee, Peter Chen, Conway Lee, have served as directors of the foundation. According to the provisions of Article 206 and 178 of the Company Law, They are not permitted to participate in the discussion and voting of this case. According to the provisions of Article 206 and 178 of the Company Law, the director Eric Yu is appointed to be represented as the host by Cairman Zhien-Chi (Z.C) Chen over the case. In this issue, except for the above four directors who avoided because of their interests, the independent directors had no objection and the other directors agreed to pass the case.

   The listed OTC company should disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board's self (or peer) evaluation, and fill out the attached table 2 (2) The implementation of the board evaluation.

3. Implementation Status of Board Evaluations:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Every year	The year of 2019	The board of directors and functional committees (in cluding Audit committee and Remuneration committee	Self-evaluation	(1) Individual director and Board performance evaluation: level of participation in company operations, the quality of decisions, Board composition and structure, appointment of directors and their continued development, and internal controls. (2) Functional committee performance evaluation: Participation in company

				operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

4. 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) The company's board of directors is responsible for guiding the company's strategies, supervising the management, and various operations and arrangements of the corporate governance system, being responsible to the company and the shareholders 'meeting, and exercising its powers in accordance with the provisions of the laws and the company's articles of association or the shareholders' meeting.

   (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 by the shareholders' interim meeting, and set up a salary and compensation 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 "Evaluation of Board of Directors" passed by BMC's BOD on May 6th., 2019, the board and directors have to be evaluated at least one time every year.The evaluation of 2019 was done and was reported to the BOD on Febuary 25th., 2020.

   (6) The Board of Directors appointed an Corporate Governance Officer responsible for corporate governance matters, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders' meetings in compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.

(2) The state of operation of the audit committee:

The Audit Committee held 5 times in the most recent year, and the attendence status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Fu-Hai Yehr	5	0	100%	Convener
Independent Director	Chiou-Ming, Chen	4	1	80%	-
Independent Director	Louis Y.Y. Lu	2	0	100%	-
Independent Director	Ming-Ching Wu	3	0	100%	Former independent director

Other matters to be recorded:

1. If there is any of the following situations in the operation of the audit committee, the date, period, content of the bill, resolution of the audit committee, and the company's handling of the audit committee's opinions should be stated:

   (1) Matters listed in Article 14-5 of the Securities and Exchange Act: Please refer to the important resolutions of the Annual Report, Corporate Governance Report, Shareholders 'Meeting and the Board of Directors (page 36): all of which are approved by more than half of all members of the Audit Committee After that, it was sent to the board of directors for resolution without approval by the audit committee, but was approved by more than two-thirds of all directors.

   (2) Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: None.

2. The implementation status of the independent director's avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reason for the avoidance of interest and the voting situation: None.

3. The communication between independent directors, internal audit supervisors and accountants (such as matters, methods and results of communication on the company's financial and business conditions).

(1) The company regularly convenes an audit committee and invites the company's general manager, financial, legal, audit, risk control and other department heads to attend the meeting, and invites the company's visa accountants to participate in the meeting every six months.
(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 visa accountants on the quarterly financial statements review or verification results and other relevant legal requirements to communicate, and discusses the selection of visa accountants and the audit and non-audit services Conduct an independent review.

4. Annual work focus and operation：

Highlights of work in 2019:

(1) Regularly communicate the results of the audit report with the internal audit supervisor in accordance with the annual audit plan.
(2) Regularly communicate with the CPA on the results of the quarterly financial statements review or review.
(3) Review the financial report.
(4) Assess the effectiveness of internal control system.
(5) Appointment of CPA.
(6) The independent evaluation of accountants' provision of auditable 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.

2019 operation situation: The audit committee's proposals have been reviewed or approved by the audit committee, and the independent directors have no objections.

(3) Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Item		Implementation Status			Reason for Non-implementation
		Yes	No	Summary	
Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?		V		The company has a "Corporate Governance Regulation", which has relevant regulations for protecting shareholders' rights, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and improving information transparency. For the company's corporate governance regulation, please visit the company's website (www.BenQMaterials .com) query.	None
Shareholding Structure & Shareholders ' Rights	Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		BMC sets up a spokesperson system to ensure that the informations which may affect shareholders ' decisions can be disclosured promptly and fairly, and the shareholding unit is the responsible unit, and a dedicated mailbox is set up to receive shareholders' suggestions, doubts and disputes; for shareholders to file lawsuits, then refer to the legal department for proper handling.	None
	Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		In addition to mastering the actual shareholders of the company's main shareholders and the final list of main controllers, the company regularly observes the monthly information changes of directors and major shareholders holding 10% of the shares and other insiders' shareholdings.	None
	Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		1. In order to establish a risk control and firewall with related companies, BMC 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 special financial, business and manufacturing departments, and their management rights and responsibilities are clear. The company does not regularly conduct comprehensive risk assessments of related companies and their main banks, customers and suppliers to reduce credit risk.	None
	Has the Company established internal rules prohibiting insider trading on undisclosed information?	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 "internal major information processing and prevention of internal transaction processing procedures", prohibiting the company Insiders use unpublished information on the market to buy and sell securities.	None

<table>
<tr><th colspan="2" rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Reason for Non-implement ation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td rowspan="4">Composition and Responsibilities of the Board of Directors</td><td>Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?</td><td>V</td><td></td><td>According to the company's corporate governance code, the composition of the board of directors should consider diversification. In addition to the directors who are also company managers should not exceed one-third of the number of directors, and formulate appropriate diversification policies for their own operations, operating types and development needs, including but not limited to the following two major standards:

1. Basic conditions and values: gender and age.
2. Professional knowledge and skills: professional background, professional skills and industrial experience, etc.

<table>
<tr><th>Managmenet goals</th><th>Status</th></tr>
<tr><td>More than 2 independent directors</td><td>Achieved</td></tr>
<tr><td>At least one female director</td><td>Unachieved (Note 1)</td></tr>
</table>
Note1: BMC will increase an female director to elevate the diversity of BOD.
In 2019, the diversification of BMC′ s board of directors is as follows:
<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Title</th><th rowspan="2">Gender</th><th colspan="3">The tenure of office for Independent Directors</th><th colspan="3">The professional knowledge and skills</th><th colspan="3">Age</th><th rowspan="2">employed by BMC</th></tr>
<tr><th>under 3 years</th><th>3 to 9 years</th><th>over 9 years</th><th>Industries</th><th>Academic</th><th>Background of laws and finance</th><th>56-60</th><th>61-65</th><th>66-70</th></tr>
<tr><td>Zhien-Chi (Z.C) Chen</td><td>Chairman</td><td>Male</td><td></td><td></td><td></td><td>V</td><td></td><td></td><td>V</td><td></td><td></td><td>V</td></tr>
<tr><td>Kuen-Yao (K.Y.) Lee</td><td>Director</td><td>Male</td><td></td><td></td><td></td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Eric Yu</td><td>Director</td><td>Male</td><td></td><td></td><td></td><td>V</td><td></td><td>V</td><td></td><td>V</td><td></td><td></td></tr>
<tr><td>Peter Chen</td><td>Director</td><td>Male</td><td></td><td></td><td></td><td>V</td><td></td><td></td><td>V</td><td></td><td></td><td></td></tr>
<tr><td>Conway Lee</td><td>Director</td><td>Male</td><td></td><td></td><td></td><td>V</td><td></td><td></td><td>V</td><td></td><td></td><td></td></tr>
<tr><td>Fu-Hai Yehr</td><td>Independent Director</td><td>Male</td><td></td><td></td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td><td></td><td></td></tr>
<tr><td>Chiou-Ming, Chen</td><td>Independent Director</td><td>Male</td><td></td><td></td><td>V</td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Louis Y. Y. Lu</td><td>Independent Director</td><td>Male</td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td></td><td></td><td>V</td><td></td></tr>
</table>
</td><td>None</td></tr>
<tr><td>Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?</td><td>V</td><td></td><td>1. The company has set up an audit committee. Please refer to page 16 of the annual report for the operation status.

2. The company has set up a salary and compensation committee. Please refer to page 22 of the annual report for the operation.

3. The company has set up a risk management committee. For the operation, please refer to the special chapter on risk management on page 68 of the annual report.

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) consists of 1% of the company's total shares The above shareholders propose, and after the board of directors examines the list of candidates according to law, it shall be reported to the shareholders' general meeting for election.</td><td>None</td></tr>
<tr><td>Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors′ remuneration and renewal?</td><td>V</td><td></td><td>The salary and compensation committee of the Company shall formulate and review the relevant policies, systems, standards and structures of performance evaluation of directors and managers and salary and compensation, and submit the recommendations to the board of directors for discussion.</td><td>None</td></tr>
<tr><td>Does the Company regularly evaluate its external auditors′ independence?</td><td>V</td><td></td><td>The audit committee and the board of directors of the company regularly assess the independence of the visa accountant every year, and require the visa accountant to provide a "transcendental independence statement" every year. The company confirms that the accountant and the company have no other financial benefits and business except for the cost of visa and taxation cases relationship.

Confirm that the accounting firm (visa accountant 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.

The evaluation mechanism is as follows:

1. The company's visa accountants are not related to the company and its directors.

2. The company complies with the provisions of the Corporate Governance Code of Practice to handle the rotation of visa accountants.

3. Regularly obtain independent statements issued by accountants.

The evaluation results are as follows:</td><td>None</td></tr>
</table>

Item		Implementation Status: Yes	No	Summary	Reason for Non-implementation
Composition and Responsibilities of the Board of Directors		V		1.The independence between the visa accountant and the company complies with the relevant provisions of the Republic of China Accountant Law, accountant professional ethics and other regulations. 2.The company has not appointed the same accountant visa for five consecutive years. The visa accountant also confirms with the audit committee on a quarterly basis that there is no relationship or other matters between the firm and the company that are likely to be considered to affect independence.	
	Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of 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 Code of Corporate Governance Practices for Listed Companies Regulations of the company's governing officer, and report to the board of directors on their eligibility every year, and continue to study in accordance with the regulations. The main functions of the head of corporate governance 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 matters related to company registration and change registration. 7. Update and expose various corporate governance information. 8. Other matters stipulated in the company's articles of association or contract. The implementation in 2019 is as follows: 1.5 board meetings, 5 audit committees and 2 remuneration committees were held in 2019. 2.The meeting of stockholders was held 1 time in 2019. 3.The investor conference was held 2 times in 2019. 4.Board members have completed at least 6 credits of advanced courses. 5.The CGO will complete 18 credits of advanced courses. 6.The company sets up the accountant's job agent and relevant accounting personnel to prepare the financial report, and take the 12-hour and 6-hour courses as required. 7.BMC has not received any reported incidents of stakeholder-ethical violations. 8.BMC have Directors & Officers Liability Insurance. 9.The Audit Committee invites accountants, auditors and legal personnel to attend the meeting, and discusses with the Audit Committee on relevant issues. 10. The Risk Management Committee regularly conducts risk management reports to the Audit Committee every year. 11. BMC was ranked in 21%-35% in Corporate Governance Evaluation of 2018.	None
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) on the official website (www.benqmaterials.com), as a window for handling shareholder suggestions or disputes, to properly respond to important corporate social responsibility issues of concern to stakeholders.	None
		V		1. The company has a dedicated person responsible for the collection of company information, and in accordance with the regulations of the competent authority, regularly disclose the financial, business and corporate governance situations related to the company at the public information observatory for the investment public and stakeholders to know, And timely release major information on events that may affect shareholders or interested parties. 2. The company holds regular operating briefings quarterly to explain to employees the current operating overview and operating results at the time to encourage employees to achieve their operating goals.	None
Has the Company appointed a professional registrar for its Shareholders' Meetings?		V		BMC have appointed Taishin International Commercial Bank Co., Ltd. as registrar of the company's shares affairs and handling the shareholders' meeting.	None
Informati	Has the Company established a corporate website to disclose information regarding its financials,	V		1. Disclosure of financial information: The company's Chinese and English websites (www.BenQMaterials.com) have investor zones, and regularly update financial information for investors' reference.	None

Item		Implementation Status: Yes	No	Summary	Reason for Non-implementation
	business and corporate governance status?			2. Business information disclosure: The company's website has a company product introduction and technology research and development area, providing real-time business information of various products, and always uploading the latest business activity information for public reference. 3. Disclosure of corporate governance information: The organization and operation of the company's internal audit, important corporate governance documents (including the company's articles of association, shareholders' meeting rules, director election methods, acquisition or disposal of asset processing procedures, engaging in derivative commodity transaction processing procedures, endorsement or providing guarantee processing procedures for others , procedures for handling financial loans and others, organizational rules for the audit committee, organizational rules for the compensation and remuneration committee, management measures for preventing internal transactions, procedures for handling complaints related to accounting, internal control and audit, codes of ethical conduct for directors and managers, corporate governance codes, corporate society The Code of Responsibility, Code of Integrity Management, etc.) are all disclosed on the company's website.	
	Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		The company has an English website, a person is responsible for the collection and disclosure of company information, and implements the spokesperson system. The chief financial officer is the spokesperson and the financial manager is the acting spokesperson.	None
	Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		BMC follows relevant laws and regulations to announce and report the first, second, and third quarter financial statements of 2019. The 2019 consolidated and legal financial statements were announced and reported on Febuary 25th., 2020.	
Other important information helpful to understanding	Employee rights and employee 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 : Organize club activities, special sales activities and employee family days. For employee rights, please refer to page 57 of this annual report.	None
	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 to let investors understand the company's operating status.	None
	Supplier relationship	V		The company has established a supplier audit and evaluation procedure. The quality and technical capabilities of the supplier, service levels, green products, environmental safety and health risks and social responsibility are reviewed by internal relevant departments. 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 culture of integrity and integrity. In the event of illegal matters, which can E-mail to the integrity mailbox: Integrity @ BenQMaterials.com	None
	Rights of stakeholders	V		For stakeholders (shareholders and investors, customers, employees, community neighborhoods, environmental groups, suppliers, outsourcers, contractors, non-governmental organizations, experts and scholars in the industry and government units, financial insurance institutions and media, etc.), the company provides a variety of channels to provide up-to-date information. There is also a special area for stakeholders in the company's website to provide communication channels to protect the legitimate rights and interests of both parties.	None
Information	Professional development of the Board of Directors	V		The company is handled in accordance with the regulations of the "Training and Supervisory Implementation Points for Directors and Supervisors of Listed OTC Companies" on the Taiwan Stock Exchange Co., Ltd. For details, please refer to the "Directors and Managers Training Status" on page 33 of the annual report.	None
	Status of implementation of	V		1. The company has a risk management committee that assesses company risks at the end	None

Item		Implementation Status			Reason for Non-implementation
		Yes	No	Summary	
	risk management policies and standards for measurement of risk			of each year to reduce business risks and reports to the board of directors. For the operation status, please refer to page 68 of the annual report. 2. The company insures comprehensive product liability insurance every year to provide multiple product guarantees to consumers worldwide, and adopts appropriate management and improvement to reduce corporate risks.	
	Status of customer-protection policy implementation	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 consulting related product information.	None
	Directors & Officers Liability Insurance Policy	V		The company insures liability insurance and assesses the insurance amount for directors (including independent directors) and managers every year, 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 latest board of directors reports the insurance situation.	None
	Succession planning and operation of board members and important management	V		Based on future strategic development and transformation planning, the company cooperates with the company's diversified policy planning director succession plan and candidates, and regularly holds meetings to discuss and review the succession planning and cultivation of the company's important management; Set individual development plans based on their individual capabilities and job requirements. Depending on the needs of the organization and individuals, it includes training courses, different-learning studies, and job rotation. The purpose is to cultivate the management, leadership, and management capabilities of important management classes. Among them, the training courses are planned by the company's training system. In addition to internal training courses, external prestigious institutional resources are also imported to assist the management team to expand their external horizons. In addition to assisting new positions, in addition to cultivating a comprehensive management succession echelon through cross-disciplinary planning, it also enables them to closely learn the company's management strategy.	None
Please indicate the improvement of the results of the Corporate Governance Evaluation System issued by the Company's Corporate Governance of the Taiwan Stock Exchange Co., Ltd. In the last year and provide priority measures and measures for those who have not yet improved.		V		1. The company complies with relevant laws and regulations to disclose information in public information observatories in real time, and has full disclosure of information in annual reports and company websites, with high transparency and timeliness. 2. The results of the 5th. Corporate Governance Evaluation organized by the Taiwan Stock Exchange are in the top 21% to 35% range. The improvements of 2019: -Increase the attendance of shareholders' meeting og directors. -To enhance BOD, BMC has appointed a CGO and launched the implemention system. -To elevate the information transparency, BMC announce materials information and financial statements in Mandarin and English version. -BMC have specific dividends policy in the article of association for investors to estimated their return of investment.	None

(4) Salary and compensation committee composition, responsibilities and operations：

The Company's Remuneration and Remuneration Committee was established on October 25, 2011, and appointed three independent directors as remuneration committees. Its main responsibilities are:

- Formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and salary and remuneration.
- Regularly evaluate and determine the remuneration of directors and managers.
- The information of the members of the salary and compensation committee is as follows:

Indentity	Condition / Name	more than five years of work experience and the following professional qualifications			Meet the independence situation (Note 1)										Number of members of the salary and compensation committee of other public issuing companies	Note
		Lecturer or above in public or private colleges and universities in related departments required for business, legal affairs, finance, accounting or company business	Judges, prosecutors, lawyers, accountants, or other professional and technical personnel with national examinations and certifications required for the company's business	Work experience required for business, legal affairs, finance, accounting or company business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Fu-Hai Yeh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Re-eleciton
Independent Director	Chiou-Ming, Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Re-eleciton
Independent Director	Louis Y.Y. Lu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	New-eleciton
Independent Director	Ming-Ching Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	The former

Note 1: If each member meets the following conditions during the two years before the election and during his tenure of office, please mark "✓" in the space below each condition regulation.

1. Not employed by the company or its affiliates.
2. Directors and supervisors of non-company or related companies (but if the company and its parent company, subsidiary company or subsidiary of the same parent company are independent directors established by this law or local state laws, they are not limited to this).
3. Non-self, spouse, minor children, or other natural person shareholders who hold more than one percent of the total issued shares of the company in the name of others or the top ten shareholders.
4. The non-listed manager or the spouse, relatives within the second parent, or direct blood relatives within the third parent, etc. of the managers listed in (1) or (2), (3).
5. Directors who do not directly hold more than 5% of the company's total issued shares, hold the top five shares, or appoint a representative to act as a company director or supervisor as a legal person shareholder in accordance with Article 27, paragraph 1 or 2, Supervisors or employees, or directors, supervisors or employees of the top five legal shareholder shareholders (but if the company and its parent company, subsidiary or subsidiary of the same parent company are established in accordance with this law or local national laws and regulations If the independent directors serve concurrently, they are not limited to this).
6. More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if they are the company or its parent company, subsidiary or a child of the same parent company) (The independent directors established by the company in accordance with this law or local national laws shall not be limited to this).
7. Directors (directors), supervisors (supervisors) or employees (other than the company and its parent company) who are not the same person or spouse as the company's Chairman, general manager or equivalent. (Subsidiary companies or subsidiaries of the same parent company who are independent directors established by this law or local state laws shall not be limited to this).
8. Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds issued shares in the company) If the total number is more than 20% but not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, this limit shall not apply).
9. Professionals, sole proprietorships, partnerships, companies that do not provide audits for the company or its affiliates or business, legal, financial, accounting and other related services or consultations that have not received a total of NT $ 500,000 in the past two years Or business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.
10. There is no one of the circumstances in Article 30 of the Company Law

The committee has met 3 times in the most recent year, and the remuneration committee attended as follows:

Title	Name	Acutal attendance	Delegated attendance	Actual attendance rate (%)	Note
Convenor	Fu-Hai Yeh	2	0	100%	Re-eleciton
Member	Chiou-Ming Chen	2	0	100%	Re-eleciton
Member	Louis Y.Y Lu	1	0	100%	New-eleciton
Member	Ming-Ching Wu	1	0	100%	The former

Other matters to be recorded:

(1) If the board of directors does not adopt or amend the recommendations of the salary and compensation committee, it shall state the date, period, content of the proposal, resolution of the board of directors, and the company's handling of the salary and compensation committee's opinions (such as the salary and compensation approved by the board of directors is better than the salary and compensation committee) The proposal should state the difference and the reason): None.

(2) The matters resolved by the Remuneration and Remuneration Committee, if the members have objections or reservations, and have a record or written statement, which should state the date and period of the Remuneration and Remuneration Committee, the content of the proposal, the opinions of all members and the treatment of the opinions of the members:

Date	Meeting name	Meeting content	Resolutions and implementation
2019.03.11	2019-1	(1)Report Manager KPI and compensation reward design in 2018. (2)Report senior executive compensation and comparison in 2019. (3)Discuss remuneration distribution of directors and employees of 2018.	The chairman of the salary committee consulted all the members present and passed the proposal without objection, and submitted to the board of directors for resolution
2019.11.05	2019-2	(1)Report senior executive compensation and comparison in 2019. (2) Report estimated compensation of senior executive in 2019.	

(5) Corporate Social Reponsibility and Differences and causes of corporate social responsibility codes of practice for listed companies:

Evaluation Item		Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
		Yes	No	Abstract Explanation	
Whether the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?		V		The company's concept of social orientation, responsible care, and economic development is expected to grow together with suppliers. All manufacturers must be selected and evaluated by the supplier selection team in accordance with the "procurement management process", actively work with suppliers to promote environmental protection, quality, green products, personnel safety, ethical standards, etc., and establish mutually sustainable supply chain Management System. We also implement supplier evaluation quarterly, and evaluate the quality, cost, delivery, service, technology and other items in accordance with the "Supplier Management Operation Standards", and list them as A-level manufacturers as priority procurement targets, and regularly with the supply chain share market fluctuations, material supply lead times and inventory trends. Respond to the risk factors of shortage of materials in advance and replace the introduction of procurement to reduce the dependence of a single supplier. In order to implement supplier management in accordance with the "Supplier Audit Operation Standards, periodic supplier audits are conducted every year. Emergency audits are conducted for suppliers with abnormally high incidences to confirm the implementation of countermeasures related to abnormal content, regularly review suppliers, and strengthen the supply chain physique.	None
Whether the operational status of the unit established by the company with exclusive or concurrent responsibility for CSR matters. The higher-level management is authorized by the Board of Directors to handle the matter and report to the Board on its handling?		V		1. BMC sets up CSR committee to responsible for environmental sustainability, community participation and corporate govervence. It hold meeting periodly every year to follow up and discuss the outcome and report to BOD. 2. Please refer to page 28 of this annual report for details of the operation of corporate social responsibility units.	None
Whether the company adopted a fair and reasonable salary and compensation policy, integrated CSR into employee performance evaluation system, and instituted a clear and effective reward and punitive system?		V		1. The company considers the external market, internal fairness and rationality, and establishes a transparent and open performance appraisal system and a reasonable salary and compensation policy based on supporting the organization's operating objectives and individual performance differentiation. In order to implement corporate social responsibility, the company has set up relevant advocacy courses for colleagues to elect, in addition to preparing their own study plans, colleagues can also set individual annual work goals through interviews with direct supervisors, and regularly set annual Conduct personal performance appraisal as a reference basis for salary adjustment, bonus payment and future promotion. For employees who violate corporate social responsibility, the company's disciplinary measures shall be followed. 2. In order to encourage employees to participate in social welfare activities, every employee is given one day of volunteer work leave every year to engage in services and practice the corporate philosophy of caring for the society and being close to the earth.	None
	Whether the company establish an appropriate environmental management system according to its industrial characteristics?	V		BenQ Materials has obtained ISO 14001 environmental management system certification since 2005, and each manufacturing area around the world regularly implements internal and external audits every year to ensure the operation of various environmental management standards.	None
	Whether the company exerts to improve its efficiency in the utilization of all resources and the use of recycled materials with low environmental impact?	V		1. Each site of manufacturing set up a full-time employee for air pollution, waste water, waste, etc. according to the type of environmental pollutant generation in the production process. 2. BMC′s nano-porous membrane technology is truly breathable, waterproof, windproof and environmental-friendly without using any PFCs or PTFE.	None
	Whether the company established of environmental management systems appropriate to the nature of its industry?			In order to reduce the impact on the environment and ecology and fulfill the company's responsibility for the sustainability of the environment, and continue to comply with international regulations and the expectations of all stakeholders, the company annually reviews the current status of hazardous substance management according to international regulations, customer requirements and environmental trends, and update	

Evaluation Item		Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
		Yes	No	Abstract Explanation	
				the "Environmental Quality Assurance Management System Operating Standards" requirements. At the same time, it conducts education and education for colleagues in the factory to maintain the effectiveness of the hazardous substance management system. include: i. EU Restriction of Hazardous Substances Directive (EU RoHS): Our products can comply with EU RoHS lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls, polybrominated diphenyl ethers, phthalates (DEHP, BBP, DBP , DIBP) included in the test. ii. Meet the halogen-free requirements of electronic products. iii. EU Chemical Substances Registration and Control Act (EU REACH): For the hazardous substances announced by the EU REACH and the Substance of Very High Concem (SVHC), the EU REACH announced the investigation of suppliers after SVHC , And honestly disclose the investigation results to customers. If there is a change in regulations, a GP compliance check will be conducted, and the supplier will be investigated if necessary. iv. For products containing gold, tantalum, tin and tungsten, the supplier must provide a statement that the mineral source of the product does not come from the illegal development area of the People's Republic of Congo or neighboring countries to protect the sustainable development of the environment and ecology.	
	Whether the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	V		"Energy saving and carbon reduction" is an important global issue. BenQ Materials actively cooperated with the government's energy saving and carbon reduction policy. In 2009, it joined the Industrial Bureau's "Greenhouse Gas Reduction Program for Industrial Low-Carbon Technology Integration Application Guidance Program", during which the base year was successfully obtained (2008) ISO 14064-1 verification statement and exposed the information of greenhouse gas emissions on the company's website. Please refer page 29 for the policy of save energy and reduce carbon emissions.	None
Protecting the public interest	Whether the company formulated its policies and procedures on management in accordance with relevant regulations and International Covenant on Civil and Political Rights?	V		1. The company follows the relevant labor laws and international human rights conventions to ensure that the company's human resources department does not have differential treatment based on gender, race, socioeconomic class, age, marriage and family status, and then implement employment and employment conditions , Equalization and fairness of salary, benefits, training, evaluation and promotion opportunities. 2. The company regularly convenes labor-management meetings. The company sets up an effective and appropriate grievance mechanism for matters that jeopardize labor rights, and formulates "work rules" to include employment contracts and new personnel training materials, and occasionally organizes promotional activities. 3. The company is committed to safeguarding human rights of employees. With reference to international labor certification, global Sullivan principles, the United Nations Guiding Principles for Business Enterprises and Human Rights, the Electronic Industry Citizenship Union Code of Conduct, and the Labor Standards Act, not only does the "Human Rights Policy" target working age, Working hours, wages and benefits, humane treatment, non-discrimination, assembly, etc. promote job protection, and are more committed to setting up a management mechanism on the executive side to ensure that colleagues are properly cared for, such as: designing multiple communication or complaint channels, and promoting pleasure a corporate culture of communication, and confidentiality and handling of individual complaints or incidents; actively shape a corporate environment that respects, cares, and protects human rights, protects the power of labor organizations and collective bargaining, and promotes healthy and positive labor relations.	None
	Whether the company formulate and implement reasonable employee welfare	V		1. Article 19 of the company's articles of association stipulates that employees' remuneration shall be set at 5% to 20% based on annual profits.	None

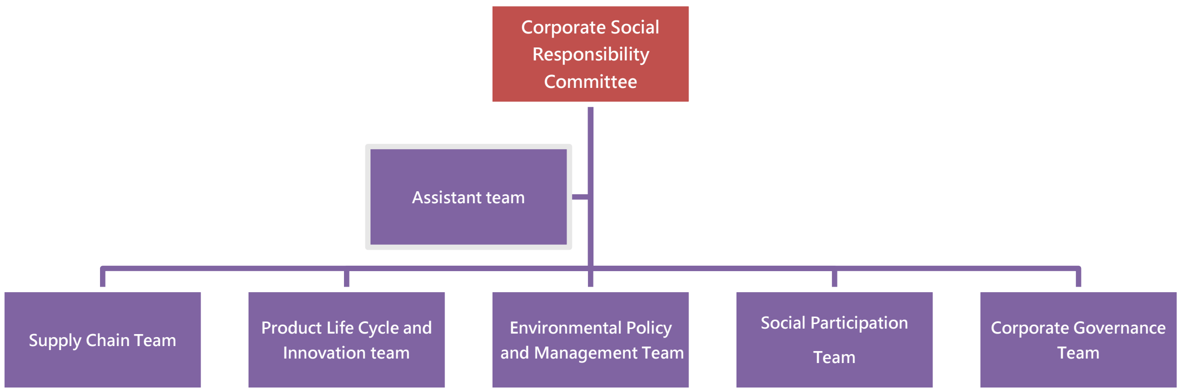
<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?</td><td></td><td></td><td>2. The company refers to the performance and individual performance of each business unit, and after the approval of the responsible authority, the employees are given reasonable remuneration.
3. BMC regularly investigate salary status of other companies in the market. Conducts salary adjustment every year based on the company's operations, price index, economic growth rate, and personal performance, etc. The salary adjustment rate is 2% in 2019.</td><td></td></tr>
<tr><td>Whether the company provides a safe and healthy work environment for its employees and its provision of health and safety education to its employee on a regular basis?</td><td>V</td><td></td><td>The company regularly conducts plant safety inspections, and regularly holds employee-specific health inspections and annual health inspections.
1. In order to provide employees with a safe and healthy working environment, the company is committed to passing the internationally recognized ISO 14001 environmental management system and OHSAS 18001 occupational health and safety management system certification. It also conducts safety inspections on each plant site every month, and also conducts labor safety and health education and training and employee fire drills for new and in-service employees to prevent occupational disasters.
2. In order to prevent the occurrence of occupational diseases and occupational disasters, the establishment of labor safety and health management personnel and plant nurses in accordance with the provisions of the Labor Safety and Health Law, to maintain the health of employees, and regular environmental testing to maintain a safe working environment.
3. The company provides life insurance, health insurance, sickness and disability insurance for all employees, and provides maternity and childcare leave, retirement reserves, etc.
4. Safety training status of 2019:<table><tr><th>Year / Items</th><th>2018</th><th>2019</th></tr><tr><td>The number of participants</td><td>28,764</td><td>27,090</td></tr><tr><td>The hours of participants</td><td>26,502</td><td>24,579</td></tr></table>5. In terms of working hours, it shall be controlled within the allowable range according to law.
6. The company holds irregular labor-management meetings to ensure that employees' rights and opinions are respected.</td><td>None</td></tr>
<tr><td>Whether the company has established an effective plan for the employees in training and career development?</td><td>V</td><td></td><td>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 in-service advanced education and overseas training and training, based on their performance and performance Organize the practice of values, apply for repair assistance.</td><td>None</td></tr>
<tr><td>With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the company follow relevant regulations and international standards, and formulate relevant protection policies and appeal procedures for consumer rights?</td><td>V</td><td></td><td>The company sets up legal and regulatory departments, and builds a contract review system, requiring all departments ' external documents to be reviewed by legal personnel to ensure that they are labeled and marketed in compliance with relevant domestic laws and international standards, and to protect consumer rights and mission.</td><td>None</td></tr>
<tr><td>Whether the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</td><td>V</td><td></td><td>1. The company's supplier management system is mainly based on green procurement. In order to fulfill the responsibility of maintaining society and environmental protection, the company will require suppliers to provide green product guarantee letters, green product specifications, homogeneous material test reports, material safety data sheets and other documents to comply with international regulations and hazardous substance management requirements regulated by customers.
2. The company has established a supplier audit and evaluation process, which aims at the quality, service level, green products, environmental and health risks of suppliers (such as environmental management system (ISO 14001), occupational safety and health management system (OHSAS 18001), ethical standards and Social responsibility and other projects are reviewed by relevant internal departments, and</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract Explanation	
			only those who pass the review can become partners.	
Whether the contract between the company and its major suppliers included clauses of termination and removal of the contract should the suppliers be involved in violation of its CSR policies that cause a major impact to the environment and society?	V		The company conducts social and environmental responsibility audits and assessments for all first-tier suppliers and outsourcers to ensure that suppliers and outsourcers comply with the electronics industry code of conduct or relevant local laws. When selecting suppliers, priority is given to suppliers of green and environmentally friendly products and machinery, appliances, equipment, parts and materials that have the least impact on energy performance. If the supplier or outsourcer violates the social environmental responsibility, it will affect the business cooperation relationship with the company.	None
Whether the company make reference to internationally-prepared reporting standards or guidelines for preparing corporate social responsibility reports and other reports that disclose non-financial information? or the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?	V		BMC disclose relevant and reliable informations of CSR on the web site, MOPS and in annual report. The CSR report is still editing and preparing.	None

If the company has its own corporate social responsibility regulation based on the " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies ", please state the difference between its operation and the established rules:
The company has formulated the "Corporate Social Responsibility", and all follow the "Corporate Social Responsibility Regulation of Practice for Listed Companies". All employees of the company promote and perform corporate social responsibility, aiming at environmental protection, social contribution, social services, social Public welfare, customer rights, human rights, safety and health all have relevant regulations, and the overall operation is in line with the spirit of corporate social responsibility, and there are no major differences. You can refer to the company website description: http://www.benqmaterials.com/

Whether the company set up an appropriate governance structure to formulate and review corporate social responsibility policies, systems or related management policies:

In order to enhance corporate social responsibility (CSR) and make the company's operation towards sustainable development, the company formulated the "BenQi Material Co., Ltd. Integrity Management Regulation" in 2015 and the "BenQi Material Co., Ltd. Corporate Social Responsibility Practice Regulation" in 2017, informed colleagues and announced on the company's website, and set up an inter-departmental "corporate social responsibility committee", the association chairman is chaired by the chief executive, and is divided into supply chain group, product life cycle and innovation group, environmental policy and management group, social participation group and corporate governance group according to the vision and goals. There are five task groups under the direct supervision of high-level supervisors. Each group operates to meet the expectations of stakeholders regarding corporate governance, environmental sustainability and social participation. At the beginning of each year, the Committee proposes the implementation plan for the year, and regularly reports the implementation plan and results to the board of directors each year.



The system and measures adopted by the company for environmental protection, safety and health and other social responsibility activities and their implementation:

- The company continues to provide customers and consumers with environmentally friendly and green products, not only to provide better product competitiveness, but also to make the panel more energy-efficient.
- he company formulates environmental safety and health and energy policies, which include six major items: compliance with regulatory commitments, compliance with customer environmental safety and energy requirements, priority purchase of energy-saving products, continuous improvement of energy performance, permanent maintenance of clean discipline and environmental greening, and continuous investment in social responsibility . All the company's manufacturing plants have been introduced into ISO-14001 environmental management system.
- In order to ease the global warming trend, the company has introduced greenhouse gas inventory verification since 2008. In the past three years, the carbon emissions per unit of capacity from 2017 to 2019 have decreased by 60%, 64% and 67% compared with the base year (2008.) The 2020 target is 1% lower than 2018.
- In addition to complying with relevant domestic laws and regulations, all factories have passed the internationally recognized OHSAS18001 occupational health and safety management system certification to provide employees with a safe working environment.
- The company formulates chemical management regulations, and continuously updates the content according to domestic and foreign laws and customer requirements, and notifies suppliers to cooperate with relevant management regulations to ensure that the chemicals provided do not contain prohibited substances.
- The company carries out labor operation environment measurement and health inspection according to law, improves the working environment according to the results, provides necessary protection and adjusts the labor workplace.
- In order to enhance the awareness of all employees on the environment, safety and health, in addition to safety and environmental protection subject courses, monthly monthly safety conferences are held to require all employees to participate. An industrial safety month is also held every year. Through activities, colleagues can learn more safety knowledge and environmental protection concepts.

Other important information that helps to understand the operation of corporate social responsibility:

- **Greenhouse gas management:** Since the introduction of greenhouse gas inventory verification in 2008, the carbon emissions per unit of production capacity in the past three years from 2017 to 2019 have decreased by 58%, 60% and 64% respectively from the base year (2008), 2018 and 2019 The annual carbon emissions per unit of production capacity are 0.92KG and 0.84KG respectively; from 2008 to 2019, the cumulative reduction of 134,404 tons of CO2 emissions is equivalent to 13,307 hectares of forest land absorption. The 2019 target is 65% lower than the base year.
- **Energy management:** Since 2008, after a series of energy-saving measures, the cost per unit of electricity has been continuously reduced. From 2008 to 2019, a total of 204.49 million kWh of electricity has been saved, reducing 10,674tons of carbon dioxide emissions for the earth. The unit power consumption (kWh / km2) was 1.22 and 1.15 respectively, the unit power consumption decreased by 5.7%, and the power consumption per unit capacity (kWh / km2) fell by 70% in 2019 and 2008. The target for 2020 is a 1% lower than 2018.
- **Waste recycling management:** Through end-of-life recycling measures, the weight recovery rate increased from 61% in 2008 to 80% in 2019, with a total annual recovery weight of 98,229 tons, and a total recovery volume from 2008 to 2019, equivalent to 101 The building's 92% steel weight, compared with 2018 and 2019, the unit recovery weight (tons / km2) in 2019 decreased by 10%, and the recovery rate in 2019 and 2008 base year compared with 80% (total recycling amount / total capacity). The target for 2020 is a 1% lower than 2018.
- **Water resource management:** Since 2008, the water saving policy has been implemented. In 2019, the water consumption was reduced by 80% and the wastewater discharge was reduced by 82%. The cumulative water saving in 11 years was 2.727 million tons. Compared with 2018, the unit water consumption (Tons / km2) were 7.53 and 7.04 respectively, and the unit usage (tons / km2) in 2019 decreased by 6.5%. In 2019 and 2008, unit / capacity (ton / km2) water consumption was reduced by 80% and wastewater discharge was reduced by 82%. The target for 2020 is a 1% lower than 2018.
- **Pollution prevention:** BenQ Materials invested NT$ 76.5 million to build a regenerative combustion furnace (RTO) and waste heat boiler to deal with process exhaust gas. The cumulative VOCs emissions from 2008 to 2019 decreased by 595 tons, and the unit emissions of VOCs in 2018 and 2019 (kg / km2) comparisons are 0.57 and 0.52 respectively, unit emissions of VOCs increased by 9% in 2019, unit emissions (kg / km2) decreased by 90.4% in 2019 and 2008, and the target for 2019 was a decrease of 91.05% from the baseline year. The target for 2020 is a 1% lower than 2018.
- **Year 2016~2019：**
  - The Taoyuan Plant assisted the Taoyuan City Government′s adoption of the Nankanxi River section and was awarded the Excellent Award.

  Year 2015：
  - Yunke Plant has been awarded the five-star award by Yunlin County Occupational Safety and Health Unit for three consecutive years.
  - Nanke Factory won the Energy Saving Award of the Ministry of Economic Affairs.

Year 2014：

- Taoyuan Plant passed the conformity judgment of the Cleaner Production Evaluation System of the Industry Bureau of the Ministry of Economic Affairs.
- BenQ Materials won the Silver Award of the 23rd Enterprise Environmental Protection Award.
- Yunke Plant won the Yunlin County Labor Safety and Health Excellent Unit.
- Taoyuan Plant won the Outstanding Achievement Award for Energy Saving and Carbon Reduction Action Mark.

Social responsibility activities:

The company believes that giving back to society is not limited to monetary donations, but also includes investing manpower, donating goods and providing services. In order to realize the employees' desire to participate in social welfare, the company is committed to promoting volunteer services, allowing employees to participate in volunteering to realize themselves, 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 is committed to practicing "eco-sustainable development". The main contents of various social activities are briefly described as follows:

1. **Support Taiwan Agricultural Products-Agricultural Products Special Sale:** The company holds agricultural products special sales from time to time, cooperates with local farmers to sell local organic vegetables and fruits from the Maliguang tribe in Jianshi Township, Hsinchu County to the employees of the company, and actually gives back the price difference to farmers.The purchase amount in 2019 is NT $ 361,825.
2. **Give back to the society-Child Support Program:** The company′s employees form a caring society reindeer club, providing transparent and convenient channels, bringing together kindness and implementing actions, and providing the most appropriate assistance to groups in need. Colleagues of the Reindeer Society participated in the support project of the Landi Children′s House in Taoyuan, which was used for the daily life needs of the children, and provided flexible donations to colleagues by means of invoices and small change fundraising, donations of specific materials and donations. The donation amount is NT$691,000.
3. **Clean home-beach activities:** The company regularly organizes beach activities in spring and autumn, calling on colleagues and family members to respond to environmental protection and protect the earth with practical actions, to cultivate the spirit and concept of next-generation environmental protection, and to bring people closer to the sea . In 2019, a total of 105 volunteers were called to Dayuan Beach to clean up nearly 70 packets of marine garbage, weighing 750 kg.
4. **Green Carnival-Tree Planting Activities:** In order to practice the group's charity spirit of "getting close to the earth and caring for the society", the company has continued to organize tree planting activities in recent years to lead employees to get close to nature, plant saplings and clean forests. Plant a tree, make a promise, strive to protect the environment and energy, protect the natural ecology, reduce carbon and love the earth.As the year of 2019, 7,581 trees have been planted.
5. **Charity donations:** BMC donate 1.5 million to BenQ Foudation.
6. **The establishment of Miacare Vision Hope Fund:** Monthly long-term cooperation with Jiafu Foundation and Kobayashi Glasses to provide free glasses activities for disadvantaged children to solve and correct the vision problems of vulnerable children in a timely manner. As the year of 2019, 1,227 children from low- and middle-income families have been assisted.
7. **Establish the foundation of Since education:** Since 2019, the Sains Science Camp will be resumed, and the company′s internal volunteers will be called to go to Daxi Jiafu Center and Gukeng Huashan Elementary School to hold a one-day science experience camp.There are 422 middle school and high school students who have served cumulatively.
8. **BenQ Materials Research Scholarship:** In order to reward and promote students to engage in research in materials-related fields and cultivate outstanding students with professional capabilities, the BenQ Materials Research Scholarship has been established since 2015. . In 2019, after actively applying at various schools, it was approved to award 6 students with a scholarship of 50,000 yuan each.

If the company's corporate social responsibility report passes the verification standard of the relevant verification agency, should be stated: no

(6) Status of Company′s Implementation of Ethical Corporate Management Best Practices and Adoption of Related Measures:

Item		Implementation Status			Reason for Non-implementation
		Yes	No	Summary	
Adoption of ethical corporate managemenet policies and prorams	Whether the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, and the board and senior management's commitment to actively implement the management policy?	V		"Treat customers, suppliers, creditors, shareholders, employees and the general public with integrity" is one of the company's corporate missions and the responsibility of all colleagues in the company. In addition to revealing the "The Principle of Integrity Management" on the company's website, the company also formulates corporate integrity policies and employee work rules. It has clear rules of conduct for conflicts of interest, regulatory compliance, business secrets, and company assets, and provides all employees with compliance, and At the end of each year, report to the board of directors on the operational effectiveness report.	None

Item		Implementation Status			Reason for Non-implementation
		Yes	No	Summary	
	Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and formulates a plan to prevent dishonesty, and at least covers the "good faith management of listed companies "Code" Article 7, paragraph 2 of the precautionary measures?	V		The company has established work rules for employees. If there is a breach of integrity, it will be reviewed by the personnel evaluation committee composed of high-level executives across the unit. Committee or board of directors. Based on the risk assessment, the audit office conducts a sample assessment of the relevant processes and operations to avoid the possibility of violations of integrity.	None
	Whether the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and 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 each new employee joins, the company applies the education and training "Corporate Culture: Regulation of Integrity" to remind employees to abide by it, and not regularly announce Guide to strengthen colleagues' sense of integrity. All employees of the company should strictly abide by the work rules. In the event of corruption and fraud incidents of colleagues, according to the company's "reward and punishment method", the most important thing is to be delisted. For example, those who engage in private fraud, embezzlement of public funds, or accept bribes and commissions; those who engage in business abroad, which affect the company's interests and business conflicts, and the circumstances are serious; those who imitate the signatures of superior supervisors or misappropriate printed letters; are all violations that should be removed. 2. The company's internal complaint channels include: direct supervisors, human resources supervisors, auditors and "internal communication mailbox", "general manager mailbox", "HR employee relationship contact window" and sexual harassment hotline as communication channels; external complaint channels are Supplier reflection mailbox-Customer@BenQMaterials.com。	None
Enforcement of ethical corporate management	Whether the company assess the integrity record of the counterparty and specify the terms of integrity in its contract with the counterparty?	V		The company has established a supplier audit and evaluation procedure. The quality and service level of suppliers, green products, environmental safety and health risks, ethical standards and social responsibility, etc., are reviewed by internal relevant departments, and only those who pass the audit can become partners. In addition, in order to strengthen the smooth communication with suppliers, in addition to the establishment of a reporting box for ethical violations (Integrity@BenQMaterials.com) as a communication and complaint channel with the company, we also built several systems to strengthen each other ′ s Communication efficiency and transparency of information. The company clearly stipulates the cooperation principle of honesty and integrity in the procurement contract, and signs the letter of integrity. If there is a violation, the company may terminate the contract or permanently no longer cooperate with the supplier.	None
	Whether the company set up a special unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board on its integrity management policies and plans to prevent dishonesty and supervision and implementation?	V		The process 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 report the implementation status to the board of directors every 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" handling 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 through the assistance of the system, reduce the occurrence of fraud. 3. If there is a breach of integrity, the case is 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 periodically report to the board of directors in accordance with relevant regulations and operating procedures to report on the implementation.	None

<table>
<tr><th rowspan="2"></th><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Reason for Non-implementation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td>Whether the company formulate a policy to prevent conflicts of interest, provide appropriate presentation channels, and implement them?</td><td>V</td><td></td><td>While pursuing business growth, the company adheres to an honest management attitude, 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 set up a complaint mailbox for the human resources department inside, and has an investor mailbox, a stakeholder mailbox and a dedicated line for external use as channels for appeal.</td><td>None</td></tr>
<tr><td></td><td>Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit formulates the relevant audit plan based on the assessment results of the risk of dishonesty, and checks the compliance with the plan to prevent dishonesty, or entrust an accountant to perform the audit?</td><td>V</td><td></td><td>1. The company has an "internal control system". The internal audit unit will periodically assess risks and formulate an audit plan, perform relevant audits according to its plan, and perform project audits as necessary, and regularly report the audit results to the audit committee and board of directors The management level understands the company's internal control implementation to achieve management purposes.

2. The company's accounting system is established in accordance with legal requirements. Visa accountants perform verification 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.</td><td>None</td></tr>
<tr><td></td><td>Whether the company regularly organize internal and external education and training on integrity management?</td><td>V</td><td></td><td>The company's entrepreneurial spirit takes "integrity" as its core value. The company regularly organizes internal and external education training and publicity activities of integrity management, and also arranges newcomer training camps for new employees. Through corporate culture courses, it fosters employees' recognition of the concept of integrity and strengthens employee self-discipline.
The company's implementation of integrity management in 2019 includes newcomers' integrity courses, company-wide integrity code online courses, insider transaction prevention courses, business secret laws and regulations, etc.
<table>
<tr><th>Course Name</th><th>Hrs</th><th>Details</th><th>Attended people in 2018</th><th>Attended people in 2019</th></tr>
<tr><td>Newcomer Integrity Course</td><td>0. 5 hrs</td><td>Required courses for all new colleagues</td><td>357</td><td>350</td></tr>
<tr><td>Integrity Code Online Course</td><td>0.25 hrs</td><td>All employees of the company need to complete online courses</td><td>606</td><td>791</td></tr>
<tr><td>Insider Trading Prevention Course</td><td>2 hrs</td><td>The legal unit regularly teaches at the supervisor level or work-related colleagues</td><td>42</td><td>44</td></tr>
<tr><td>Business secret regulations</td><td>2 hrs</td><td>Announcement through the company's electronic newsletter every year, regular lectures for supervisor-level or work-related colleagues</td><td>42</td><td>47</td></tr>
</table></td><td>None</td></tr>
<tr><td rowspan="2">Status of reporting system for the company</td><td>Whether the company formulate a specific reporting and reward system, establish a convenient reporting channel, and assign appropriate personnel to handle the object of reporting?</td><td>V</td><td></td><td>The company's integrity-related regulations specify that illegal incidents must be notified immediately. Persons involved in various businesses of the company, when performing business, if they find that there is a violation of integrity and integrity, they can file a complaint through the following channels:
– Internal pipeline: direct supervisor, human resources supervisor, auditors and general manager mailbox.
– External channels: Ethics violation reporting mailbox(Integrity@BenQMaterials.com).
After submitting the report, the investigation procedure will be initiated. The dedicated personnel, including the audit unit and other members, will set up a committee to investigate, and based on the seriousness of the plot and the level of involvement, assess whether the case will be further reviewed by the inter-departmental personnel review committee. Once the case is verified to be of serious risk to the company, the committee will make a report and notify the audit committee in writing.</td><td>None</td></tr>
<tr><td>Whether the company established the standard operating procedures for the investigation of the</td><td>V</td><td></td><td>Regarding the handling of reporting matters, the company regulates the standard operating procedures and related confidentiality mechanisms of complaints with employee work rules, employee complaint management measures and sexual harassment prevention and treatment measures; for the identity of the informant</td><td>None</td></tr>
</table>

Item		Implementation Status			Reason for Non-implementation
		Yes	No	Summary	
	complaint, follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?			and the content of the report, the person in charge of the case and Encrypt the file and save it to protect the informer.	
	Whether the company taken measures to protect the whistleblowers from improper disposal due to the whistleblowing?	V		The company's integrity-related regulations clearly stipulate that for the reported colleagues, 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.	None
Strengthening information	Whether the company disclosed on its website and public information observatory the content of its integrity management code and its effectiveness?	V		The company discloses the relevant contents of the code of good faith operation and the situation of performing the integrity management on the official website (www.BenQMaterials.com) and the annual report for the stakeholders to know.	None
If the company has its own code of integrity management in accordance with the "Regulation of Integrity Management of Listed OTC Companies", please state the difference between its operation and the established code: The Company has established the "Regulation of Integrity Management" in 2015. At present, there is no significant difference between the "Employee Work Rules" established by the Company and the "Regulation of Integrity Management for Listed OTC Companies".					
Other important information that helps to understand the company's integrity management and operation situation: (such as the company reviewing and revising its integrity management code and other situations) The HR, legal affairs and risk control department regularly evaluates whether the design of the operation process can properly prevent risks such as operation and corruption, and reviews the effectiveness of the internal control mechanism, and collects the recommendations of the senior executives of each unit for various potential risks, and formulates an audit plan. In 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. Through regular broadcasts, electronic bulletin boards, etc., employees can familiarize themselves with the integrity culture within the company. In addition, the publication of the Integrity Code is the highest code of conduct, providing guidance and case descriptions on corporate integrity policies, cooperation with business partners, cooperation with government agencies, intellectual property rights, conflicts of interest, information system security, insider trading and antitrust laws, Ensure that all employees implement integrity in their work.					

(7) If the company has formulated a corporate governance regluation and related regulations, it should disclose its inquiry method

The company has adopted the "Corporate Governance Principle" approved by the board of directors on October 30, 2015. It also has relevant regulations for protecting shareholders' rights, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and improving information transparency. The corporate governance evaluation conducted by the Exchange Co., Ltd. examines the actual implementation of the evaluation indicators one by one, and hopes to assist the company to gradually establish a good corporate governance system to enhance the effectiveness of corporate governance. For the company's corporate governance operations, please refer to the corporate governance operations in this annual report and corporate governance report. For the company's "Corporate Governance Principle", please visit the company's website (www.BenQMaterials.com). .

(8)Other important information helpful to understanding HTC′s corporate governance:

- 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 managers and employees that they are aware of the relevant agreements and rules.
- The company's directors, independent directors and managers and other insiders, when taking office, will distribute the latest version of the "Directors and Supervisors Manual" and "Directors and Supervisors' Publicity Information" prepared by the competent authority, and will issue the latest update of the Taiwan Stock Exchange The "Manual for the Publicity of Listed Company Insider Equity Transactions" to facilitate insiders to follow it.
- The company currently has three independent directors, and the independent directors form the audit committee and the salary and compensation committee to strengthen corporate governance operations.
- The company's corporate governance related information is disclosed on the company's website (www.BenQMaterials.com).
- The latest annual training of directors and managers and the training and training of financial and audit supervisors:

Title	Name	Trainging date		Hrs	Course Name	Cource Organizer
		Start	End			
Chairman	Zhien-Chi (Z.C) Chen	2019/8/30	2019/8/30	3	Assessment company: Evaluate the Financial statement and it's Limitation	Taiwan Coporate Governance Association
		2019/9/27	2019/9/27	3	Introduction of mergers and acquisition	Taiwan Coporate Governance Association
Director	Kuen-Yao (K.Y.) Lee	2019/5/16	2019/5/16	3	Global risk management of 2019	Taiwan Coporate Governance Association
		2019/11/22	2019/11/22	3	The introduction and effection of fair transaction	Taiwan Coporate Governance Association
Director	Eric Yu	2019/4/16	2019/4/16	3	The impact of Laws of anti-tax and CSR in Taiwan	Taiwan Coporate Governance Association
		2019/10/2	2019/10/2	3	The introduction and application of blockchain	Securities and Future Institute
Director	Peter Chen	2019/5/16	2019/5/16	3	Global risk management of 2019	Taiwan Coporate Governance Association
		2019/11/22	2019/11/22	3	The introduction and effection of fair transaction	Taiwan Coporate Governance Association
Director	Conway Lee	2019/5/16	2019/5/16	3	Global risk management of 2019	Taiwan Coporate Governance Association
		2019/9/17	2019/9/17	3	Hoe directors repond to the technology	Taiwan Coporate Governance Association
Independent Director	Fu-Hai Yeh	2019/5/14	2019/5/14	3	How to avoid insider trading	Taiwan Institute of Directors
		2019/8/13	2019/8/13	3	AI in Taiwan	Taiwan Institute of Directors
Independent Director	Chiou-Ming, Chen	2019/9/6	2019/9/6	3	The trend of AI and technology	Taiwan Coporate Governance Association
		2019/11/12	2019/11/12	3	The practical judgments of corporation governance	Taiwan Academy of Banking and Finance
Independent Director	Louis Y.Y. Lu	2019/7/12	2019/7/12	3	How to read financial reports	Taiwan Coporate Governance Association
		2019/7/17	2019/7/17	3	The law obey of insider trading	Securities and Future Institute
		2019/8/16	2019/8/16	3	The practical judgments of financial statement fraud	Taiwan Coporate Governance Association
		2019/8/23	2019/8/23	3	Top 10 global risk of 2019	Taiwan Coporate Governance Association
Independent Director	Ming-Ching Wu	2019/3/13	2019/3/13	3	The amendment of company act	Taiwan Academy of Banking and Finance
Vice General Manger	Oliver Liu	2019/7/2	2019/7/2	3	Personal data risk and GDPR	Taiwan Academy of Banking and Finance
Vice General Manger	Charles Liu	2019/4/10	2019/4/10	3	The trend effection to Taiwan of politics and economics	Taiwan Academy of Banking and Finance
Fianance Deupty Assistant Manger	Sheng-hsiang Wang	2019/5/16	2019/5/16	3	Global risk management of 2019	Taiwan Coporate Governance Association
		2019/11/11	2019/11/12	12	The professional class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	Accounting Research and Development Foudation
		2019/11/22	2019/11/22	3	The introduction and effection of fair transaction	Taiwan Coporate Governance Association
Audit Supervisor	Pi-lien-Hung	2019/11/22	2019/11/22	6	Labor Standards Act- an auditor should know	Internal Audit Association
		2019/12/3	2019/12/3	6	Auditing practices of fraud	Internal Audit Association

(9) The state of implementation of BenQ Material internal control system:

1. Statement on Internal Control

BenQ Material Corporation

Internal Control System Statement

Date: 02/25/2020

The company states of the following with regard to its internal control system for 2019, based on the finding of a self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies", promulgated by the Financial Supervisory Commission (hereafter, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the designed and operating effectiveness of its internal control system according to the formentioned criteria.
5. Based on the findings of the assessment mentioned as of December 31, 2018, the Company believes that during the stated time period its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of treporting, and compliance with applicable laws, regulations and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content 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.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on Febraury 25th, 2020, in which all of the 8 attending directors affirmed the content of this Statement.

BenQ Material Corporation

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

General Manager: Ray Liu signed

2. External auditors' opinion on BenQ Material's internal control: Not applicable.

(10) For the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report, there were no sanctions imposed upon the Company or its internal personnel.

(11) Material Resolutions of the 2019 Shareholders Meeting and Board of Directors Meeting during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

Date	Material Resolutions	Implementation Status
2019.03.11	Year 2019 first time Company' s Board Meeting	● Approved the year 2018 Directors and Employees Remueration Distribution Plan ● Approval of the year 2018 Finanacial Statements ● Approval of the year 2018 surplus distribution case ● Re-election of directors ● To lift non-competition restrictions on newDirectors and their representatives ● Adopted to set the meeting schedule and agenda for the year 2018 shareholders meeting ● Approval the donation of the BenQ Foundation ● Approval of the change of CPA
2019.05.06	Year 2019 second time Company' s Board Meeting	● Approval the year 2018 Q1 financial statements ● Approval the CGO appointment ● Approval the nomination qualification of directors ● Approval the stock swap of SIGMA MEDICAL SUPPLIES CORP. to be BMC's 100% owned ● Amendence of shareholders' resolutions
2019.06.19	Year 2019 Shareholder Meeting	1. Recognition of the year 2018 business report and financial statement: Execution situation: approved by the shareholders through voting and handling the announcement and declaration in accordance with the prescribed procedures. 2. Recognition of the year 2018 surplus distruibution case: Execution situation: Approved by shareholder vote, the ex-dividend base date is July 31, 2019, and paid on August 26, 2019 in accordance with the resolution of the shareholders' meeting. The cash dividend payment amount is NT$ 0.6 per share, the total amount of the cash dividend is NT$ 192,404,708 in this surplus distribution case. 3. The Re-election of Board of Directors of the Company Execution situation: Director：Kuen-Yao (K.Y.), LeeZhien-Chi (Z.C.) Chen, Peter Chen, Eric Yu, Conway Lee Independent Director：Fu-Hai Ye, Chiou-Ming Chen, Louis Y.Y. Lu 4. Lift non-competition restrictions on new Directors and their representatives Execution situation: Director：Kuen-Yao (K.Y.), LeeZhien-Chi (Z.C.) Chen, Peter Chen, Eric Yu, Conway Lee Independent Director：Fu-Hai Ye, Chiou-Ming Chen, Louis Y.Y. Lu
2019.06.19	Year 2019 third time Company' s Board Meeting	● Elected as Chairman by the Board of Directors ● Remuneration Committee appointed
2019.08.01	Year 2019 forth time Company' s Board Meeting	Approved the first half of the year 2019 financial statement

Date	Material Resolutions	Implementation Status
2019.11.05	Year 2019 fifth time Company' s Board Meeting	● Approval of the financial statements for the first three quarters of the year 2019
2020.02.25	Year 2020 first time Company' s Board Meeting	● Approval of the year 2019 financial statements ● Approval of the year 2019 surplus distribution case ● Approved the meeting schedule and agenda for the year 2020 sharholders meeting

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

(12) Where, during the most recent fiscal year and current fiscal year up to the date of printing of this annual report, there was no Board of Director or Supervisor expressing a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof.

(13)A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the company' s chairman, general manager, principle accounting officer, principal financial officer, chief internal auditor, company corporate manaers and research and development officer.

(14) The company and financial information transparency related personnel obtained relevant license

Obtained license	Authorities issuing licenses	person
R.O.C CPA	National Examination Department	2
Senior Securities salesperson	Securities and Future Development Foundation	1
Junior securities salesperson	Securities and Future Development Foundation	1
Testing of professional competence of stock officers	Securities and Future Development Foundation	4
Testing of corporation governance	Securities and Future Development Foundation	2
Trust salesman	Fianancial Research Institute	1
Internal auditor	Republic of China Internal Audit Association	2

Information on CPA Professional Fees

(1) CPA Professtional Fees Information

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA' s Audit Period	Note
			System Design	Company Registration	Human Resource	Other (Note)	Subtotal		
KPMG	Tang Cih Jie Wei Ming, Shih	**3,570**	**-**	**-**	**-**	**220**	**220**	2019.01.01~2019.12.31	Transfer pricing

(2) If the non-audit public fees paid to the independent auditor, the firm to which the visa accountant 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: Not applicable.

(3) If the replacement of the accounting firm and the audit public fees paid in the replacement year are lower than those in the previous year, the amount and reason of the audit public fees before and after the replacement shall be disclosed: Not applicable.

(4) If the audit public expenditure has decreased by more than 15% compared with the previous year, the amount, proportion and reasons for the reduction of audit public expenditure shall be disclosed: Not applicable.

Information of replace it Certificated Public Accountant

None.

The Company' s Chairman, General Manager, or Any Managerial Officer in Charof 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, Managerial Officer, or Shareholder with a Stake of More than 10 Percent during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

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, amangers and shareholders holding more than 10% of the share:

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

Unit: share

Titel	Name	2019		For the year end 2020.4.20	
		Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
Corporate director	Qisda Corporation	-	-	-	-
Representative Chairman and CEO	Zhien-Chi (Z.C) Chen	-	-	131,000	-
Representative	Peter Chen	-	-	-	-
Director	Kuen-Yao (K.Y.) Lee	-	-	-	-
Director	Eric Yu	-	-	-	-
Corporate director	Qisda Corporation	-	-	-	-
Representative	Conway Lee	-	-	-	-
Independent Director	Fu-Hai Yehr	-	-	-	-
Independent Director	Chiou-Ming, Chen	-	-	-	-
Independent Director	Louis Y.Y. Lu	-	-	-	-
Independent Director	Ming-Ching Wu (till June 19th., 2019)	-	-	Not Applicable	Not Applicable
General Manager	Ray Liu	(203,000)	-	92,000	-
Vice Genera Manager	Oliver Liu	(20,000)	-	-	-
Vice Genera Manager	Charles Liu	-	-	-	-
Deputy Assistant Manager	Lung-hai Wu	-	-	-	-
Deputy Assistant Manager	Chen-kuan Kuo	-	-	-	-
Deputy Assistant Manager	Li-chuan Chiu	-	-	-	-
Deputy Assistant Manager	Ting-yuan Chiang	-	-	-	-
Deputy Assistant Manager	Chao-yi Yang	-	-	-	-
Deputy Assistant Manager	Shi-Jie Chen	-	-	Not Applicable	Not Applicable
Finance Deputy Assistant Manager	Sheng-hsiang Wang	-	-	-	-
Major Shareholder	Qisda Corporation	-	-	-	-
Major Shareholder	BenQ Corporation	-	-	-	-

(2) Stock transfer with related party: None.

(3) Stock Pledge with related party: None.

Related Party Relationship Among the Company' s 10 Largest Shareholders

2019-4-21; Unit: thousand share ; %

NAME	Shareholding		Shareholding under spouse and children of minor age		Shareholding under the title of third party		Top 10 shareholders who are related parties to each other。		Note
	Shares	%	Shares	%	Shares	%	Title (or name)	Relation	
BenQ Corporation Director Representative: Conway Lee (shareholding: 99 thousand shares)	80,848	25.21%	-	-	-	-	Qisda Corporation	Parent and Subsidiaries Company	-
							Gordias Investment Limited	Subsidairy	-
							Kuen-Yao (K.Y.) Lee	Director	-
Qisda Corporation Director Representative: Zhien-Chi (Z.C) Chen (shareholding:1,096 thousand shares) Peter Chen (shareholding:73 thousand shares)	43,659	13.61%	-	-	-	-	BenQ Corporation	Parent and Subsidiaries Company	-
							Gordias Investment Limited	Parent and Subsidiaries Company	-
							Kuen-Yao (K.Y.) Lee	Director	-
Dali Investment Limited Principle: Qiu-Jin Hong (shareholding: 153 thousand shares)	15,182	4.73%	-	-	-	-	Qisda Corporation	Parent and Subsidiaries Company	-
							BenQ Corporation	Joint Venture	-
Kuen-Yao (K.Y.) Lee	4,580	1.43%	775	0.24%	-	-	BenQ Corporation	Director	-
							Qisda Corporation	Director	-
Citibank (Taiwan) Commercial Bank is entrusted with the custody of the investment account of Cleo Investment Co., Ltd.	3,327	1.04%	-	-	-	-	-	-	-
Eric Yu	1,253	0.39%	385	0.12%	-	-	-	-	-
ZC, Chen	1,227	0.38%	65	0.02%	-	-	-	-	-
JP Morgan Chase bank account via Escrow Investment account	1,198	0.37%	-	-	-	-	-	-	-
Xi-Hua Li	1,149	0.36%	-	-	-	-	-	-	-
Zheng-Feng Chen	1,111	0.35%	-	-	-	-	-	-	-

Comprehensive shareholding ratio information

The company' s director, managers, and companies directly or indirectly controlled by the company directly or indirectly control the numbers of shares held by the same reinvested enterprise, and its comprehensive shareholding ratio information is as follow:

2018-12-31; Unit: thousand share

Long-term investments (Note 1)	Investment by BenQ Materal		Investment directly or indirectly controlled by directors, supervisors, and managers of BenQ Material		Total Invesment	
	Shares	%	Shares	%	Shares	%
Visco Vision Inc.	9,984	18.58%	7,629	14.20%	17,612	32.78%
Cenefom Corporation Limited	1,095	12.12%	-	-	1,095	12.12%

Note1: Investment accounted for using the equity method.

Capital Overview

Capital Overview

(I) Capitalization

1. Shares Categories

2020-4-20; Unite: share

Stock Type	Approved share capital					Note
	Outstanding shares			Unissued shares	Totle	
	OTC	Non-OTC	Total			
Common stock	320,674,514	-	320,674,514	79,325,486	400,000,000	Listed company stock

2. Capitalization

Unite: NT$ thousand, thousand shares

Year/Month	Price (NT$)	Authorized		Paid-in		Remark		
		Shares (thousand share)	Amount (NT$ thousand)	Shares (thousand share)	Amount (NT$ thousand)	Sources of capital	Capital increase by assets other than cash	other
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	Cash offering NT$ 240,000 thousand	None	Note 1
1999.10	15	50,000	500,000	50,000	500,000	Cash offering NT$250,000 thousand	None	Note 2
2000.03	28	200,000	2,000,000	100,000	1,000,000	Cash offering 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 reserve transfer to increase capital NT$ 30,000 thousand	None	Note 4
2003.06	10	200,000	2,000,000	129,015	1,290,155	Surplus capital increase NT$128,805 thousand	None	Note 5
2003.09	34	200,000	2,000,000	159,015	1,590,155	Cash offering NT$ 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
2004.05	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 reserve transfer to capital increase 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$200,000 thousand	None	Note 11
2010.10	23	400,000	4,000,000	310,130	3,101,301	Listed cash capital increase NT$ 236,000 thousand	None	Note 12
2011.07	10	400,000	4,000,000	320,675	3,206,745	Capital reserve transfer to capital increase NT$105,444 thousand	None	Note 13

Note1:The Ministry of Economic Affairs approved 1998.12.08 (087) No. 087139840.

Note 2:The 08 October 1999 Letter No. Taiwan-Fi-nance-Securities-I-86673 of the Securities and Futures Commission (SFC), Miistry of Finance.

Note 3:The 29 March 2000 (89) Letter No. Taiwan-Fi-nance-Securities-I-27749 of the Securities and Futures Commission (SFC), Miistry of Finance.

Note 4:The 15 May 2002 (91) Letter No.Taiwan-Fi-nance-Securities-I-126201 of the Securities and Futures Commission (SFC), Miistry of Finance.
Note 5:The 06 June 2003 (92) Letter No.Taiwan-Fi-nance-Securities-I-0920124742 of the Securities and Futures Commission (SFC), Miistry of Finance.
Note 6:The 09 December 2003 (92) Letter No.Taiwan-Fi-nance-Securities-I-0920141689 of the Securities and Futures Commission (SFC), Miistry of Finance.
Note 7:The 02 June 2004 (93) Letter No.Taiwan-Fi-nance-Securities-I-0930124509 of the Securities and Futures Commission (SFC), Miistry of Finance.
Note 8:The 18 May 2005 Letter No.Taiwan-Fi-nance-Securities-I-0940119822 of the Securities and Futures Commission (SFC), Miistry of Finance.
Note 9:The 24 July 2007 Letter No.Taiwan-Fi-nance-Securities-I-0960038627 of the Securities and Futures Commission (SFC), Miistry of Finance.
Note 10：The 04 July 2008 Letter No.Taiwan-Fi-nance-Securities-I-0970033409 of the Securities and Futures Commission (SFC), Miistry of Finance.
Note 11:The Ministry of Economic Affairs 2010.03.03 was approved by No. 09910397790 letter.
Note 12:The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 0990057080 of 2010.10.19.
Note 13:The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 1000032124 of Jinguanzhengfazi on 2011.07.12.

(2) Shareholder structure

2020-4-20; Unit: share; %

Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Individual	Domestic Natural Persons	Total
Number of sharholders	0	5	136	32,580	61	32,782
Shareholding	0	319,000	141,355,257	170,823.096	8,177,161	320,674,514
Holding percentage	0%	0.10%	44.08%	53.27%	2.55%	100.00%

(3) Distribution of ownership

Each share has a per value of NT$10; 2020-4-20

Shareholder Ownership (Unit: share)	Number of Shareholders	Ownership (share)	Ownership (%)
1 - 999	12,480	335,218	0.10%
1,000 - 5,000	14,507	32,476,797	10.13%
5,001 - 10,000	2,988	24,876,714	7.76%
10,001 - 15,000	804	10,402,578	3.24%
15,001 - 20,000	678	12,789,092	3.99%
20,001 - 30,000	498	12,976,248	4.05%
30,001 - 40,000	220	7,959,268	2.48%
40,001 - 50,000	161	7,591,758	2.37%
50,001 - 100,000	265	18,876,404	5.89%
100,001 - 200,000	106	14,540,340	4.53%
200,001 - 400,000	45	12,014,149	3.75%
400,001 - 600,000	13	6,581,574	2.05%
600,001 - 800,000	4	2,882,001	0.90%
800,001 - 1,000,000	2	1,767,683	0.55%
Over 1,000,001	11	154,604,690	48.21%
Total	32,782	320,674,514	100.00%

(4) List of principal shareholders

2020-4-20

Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
BenQ Corporation	80,847,763	25.21%
Qisda Corporation	43,659,294	13.61%
Dali Investment Limited	15,182,178	4.73%
Kuen-Yao (K.Y.) Lee	4,580,396	1.43%
Citibank (Taiwan) Commercial Bank is entrusted with the custody of the investment account of	3,327,410	1.04%
Eric Yu	1,252,871	0.39%
ZC Chen	1,227,000	0.38%
JP Morgan Chase bank account via Escrow	1,198,000	0.37%
Xi-Hua Li	1,149,208	0.36%
Zheng-Feng Chen	1,111,000	0.35%

(5) 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			2018	2017
Market price per share	Highest market price		31.05	22.50
	Lowest market price		16.40	13.55
	Average market price		22.31	17.91
Net worth per share	Before distribution		12.93	13.05
	After distribution		Note 1	12.45
Earnings (loss) per share	Weighted average share (thousand shares) (befor retrospective)		320,674	320,674
	Earnings (loss) per share	Before retrospective adjustment (NT$)	0.80	1.02
		After retrospective adjustment (NT$)	Note 1	1.02
Dividends per share	Cash dividends		Note 1	0.6
	Stock dividends	Note 1	Note 1	-
		Note 1	Note 1	-
	Accumulated undistributed dividend		Note 1	-
Return on investment	Price/ Earnings ration (Note 2) (times)		27.89	17.56
	Price/ Dividend ratio (Note 3) (times)		Note 1	29.85
	Cash dividend yield (Note4) (%)		Note 1	0.03

Note 1:The 2019 earnings distribution plan has not been resolved by the 2020 regular shareholders meeting.
Note 2: PE ratio = average closing price per share for the year / earnings per share.
Note 3: PE ratio = average closing price per share for the year / cash dividend per share.
Note 4: Cash dividend yield = cash dividend per share / average closing price per share for the year.

(6) Dividend policy

1. Dividend policy:

(1) The dividend policy stipulated in the company's current articles of association (to be implemented after the approval of the regular shareholders meeting)

The company's dividend policy is regulated in Articles 19 and 20 of the company's articles of association. Its contents are as follows:

Article 19: If the company makes a profit in the year, it should allocate 5% to 20% for employee compensation and no more than 1% for director compensation. However, when the company still has accumulated losses, it should reserve the compensation amount in advance. 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 persons to decide.

Article 19-1: If there is a surplus in the company′ s annual final accounts, the tax shall be paid first to make up for the previous losses, the second 10% shall be the statutory surplus reserve, and the special surplus reserve shall be set forth or converted in accordance with the law If there is still surplus and accumulated undistributed surplus, the board of directors shall propose a surplus distribution plan to the shareholders' meeting for distribution.

Article 20:The company is a technology- and capital-intensive industry, which is in the growth phase. In order to meet the long-term capital planning and meet the needs of shareholders for cash flow, the company's dividend policy adopts the remaining dividend policy to improve the company's growth And sustainable operation. If there is a surplus in the company′ s annual final accounts, tax shall be paid in accordance with the provisions of Article 19, to make up for the previous losses, the second 10% shall be the statutory surplus reserve, and the special surplus reserve shall be set or converted according to the provisions of the law Afterwards, if there is still a surplus, the dividend distribution shall not be less than 10% of the previously calculated surplus. In consideration of the need to expand the scale of operations and 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 situation of the proposed dividend distribution at the shareholders' meeting of this year:

The BOD has not approved the surplus distruibution resolution of 2019. BOD will be held 40 days before shareholders' meeting, it will be announced on the MOPS.

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

(8) 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:

Please refer to Article 19 of the Articles of Association of the Company contained in the previous dividend policy and implementation status.

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 the employee's remuneration based on a certain percentage based on the current year's profits (that is, pre-tax benefits minus the distribution of employees 'compensation and benefits before directors' compensation), and deducts accumulated losses. ,And reported as operating costs or operating expenses, in which employee compensation is based on the issuer of shares, and the number of allotted shares is calculated based on the closing price of ordinary shares on the day before the board resolution. If there is any change after the financial report is issued in the following year, it will be treated as a change in accounting estimates and the impact of that change will be recognized as profit or loss for the next year.

3. Proposed distribution of compensation by the board of directors:

The company passed the board of directors on Febuary 25th., 2020

(1) Employee compensation distributed in cash is NT $ 36,034,673 and director compensation is NT $ 2,702,600. There is no difference with the annual estimated amount of recognized expenses.

(2) he 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 in the previous year was NT $ 40,742,355 and Directors' remuneration is NT $ 3,055,677.

(2) The actual distribution situation is the same as that proposed by the original board of directors.

5.Average employee salary adjustment

BMC regularly investigate salary status of other companies in the market. Conducts salary adjustment every year based on the company's operations, price index, economic growth rate, and personal performance, etc. The salary adjustment rate is 2% in 2019.

(9) Share repurchases: None.

Insurance of Corporate Bonds

(1) Corporate bond issuance: None.

(2) Special stock issuance situation: None

(3) Overseas depositary receipt issuance: None.

(4) Employee stock option certificate issuance: None.

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

(6) 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

(1) 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 related industry applications Components, in order to provide the most competitive products, drive the company to continue to profit and grow. The main products in 2019 are functional membrane products, Advanced Battery Materials and medical products.

Industry Overview

1. Industry status and development

Functional film: Polarizer is one of the key components of LCD and OLED, the current mainstream display technologies. In recent years, large-size displays have responded to investment in new-generation panel production lines, and the average size of overall large-size displays has been rapidly enlarged. According to IHS Technology 's forecast, the average size of LCD TVs will increase from 45.1 inches in 2019 to 47.6 inches in 2020 . At the same time, since the structure of the LCD TV requires two polarizers, it is expected that the required polarizer area will increase the average size of the display by about 2 times. In addition, in response to the rise of OLED applications in small and medium-sized products, the ultra-thin, natural black and bend-resistant material characteristics required by OLEDs have also attracted the development of leading technology manufacturers such as Japan and Taiwan.

With the popularity of all-round digital information products and consumer electronic products and the trend of size enlargement, polarizers occupy the role of key components in the flat display supply chain. In addition to meeting the production capacity required for display size enlargement, It will also focus on more diversified application trends in the future: high-resolution, high weather resistance and flexible flexibility to provide more value-added products and services

Advanced Battery Materials: The new energy industry continues to receive global attention. The growth of electric vehicles and energy storage is very rapid, and the key component, lithium-ion batteries, contains business opportunities. In particular, the separator is one of the four key materials for lithium-ion batteries, and there will inevitably be a lot of demand and growth in the future; at the same time, with the increase of 3C and power applications, the packaging materials (aluminum-plastic composite film) also have great Potential; the company has devoted many years of research on isolation membranes and aluminum-plastic composite membranes and achieved fruitful results. With major automobile manufacturing countries such as China, Europe, America, and Japan investing heavily in electric vehicles, the trend of global automobile new energy continues to spread and the industry continues to grow. In 2018, global sales of new energy vehicles reached 2.1 million units, a 64% increase from 2017, driving the continuous expansion of the market for key materials such as isolation membranes. At the same time, under the demand of high energy density, the demand for soft pack lithium batteries has also driven the rapid growth of aluminum-plastic composite film packaging materials. According to Deloitte & Touche's analysis and forecast, global new energy vehicle sales will reach 4 million units in 2020, 12 million units in 2025, and 21 million units in 2030.

Medical products: Disposable contact lenses are one of the main choices for consumers to correct their eyesight. In terms of materials, they can be divided into two kinds of materials: water glue and silicone glue. Silicone glue has high oxygen permeability characteristics, so that The wearer's comfort and health have been gradually replaced by traditional hydrogel materials. It has more than 60% of the market share in the European and American markets. At present, Asian countries have reached 30% of the market, and Taiwan has about 10% of the market. The company brand "Miacare" has unique technology in silicone adhesive contact lenses and is expected to develop a blue ocean. In addition, with the advancement of economy, medical technology and biotechnology, and the trend of population aging, the demand for skin care brand "DermaAngel" and wound care brand "AnsCare" is increasing day by day, and the development is expected. In addition to OEM, we also owns its own brand "Sigma" products and sells them on five continents. The main products are sterilized packaging materials, medical consumables for IV infusion extension tubes, and the production of medical-grade packaging materials.

2. Industrial connection

Upstream industry	Supplier of raw optical film substrates and chemical raw materials.
Midstream industry	Component manufacturers, including polarizers, backlight modules, Driver IC, glass, etc.
Downstream industry	Liquid crystal display panel, liquid crystal display module, etc.

3. Industry development trends and competition

Functional film: At present, polarizers have been widely used on various flat-panel displays, including TVs, desktop monitors, notebook computers, tablets, mobile phones, and automotive applications. Among them, due to the trend of converging various application services, the requirements for panel specifications in mobile devices have gradually increased, including higher screen ratio, foldable screen design, high resolution, thin and light power saving, and touch control. At the same time, in the face of the advent of the big-generation panel factory, the audio-visual entertainment has moved towards ultra-narrow bezels, high-definition picture quality and larger panel size specifications. To meet the evolving needs of displays, the main developments of polarizers are described as follows:

1. TV and desktop display applications:

After 2010, in response to mainland China actively setting up high-generation line panel factories, the average size of TVs and desktop monitors has continued to expand, and it has developed towards a more affordable price. In 2019, the average size of the global LCD TV will reach more than 45 inches. With the production capacity of the 10.5 generation line in the future, the supply of 65 inches and 75 inches will increase significantly. The overall average size is expected to increase by 2 to 2.5 inches annually. Under this trend, in response to market demand, it is mainly divided into two product ranges:

1. High-end market: Emphasize the immersive experience in large size, and the same or better viewing quality must be maintained under the enlarged size. Therefore, the demand for high-resolution, wider viewing angle, and higher color performance continues to rise. In this context, the traditional panel design no longer meets market expectations, and instead focuses on functional film polarizers with micro-structure design. Through precision optical design and micro-structure engraving and transfer processing, the new generation of functional film polarizers can enhance the high-resolution panel and better color performance in viewing angle image quality.
2. Entry market: Emphasize the ability to experience the performance of large-size panels at a more economical price. Under the guidance of prices and costs, manufacturers are attracted to invest in large-scale capital expenditures to broaden production lines significantly. With a view to reducing production costs to meet product demand.

2. Mobile device display application:

In order to meet the increasing demands of consumers for mobile communications, networking and entertainment, mobile phone specifications have evolved from simple functional phones in the early days to smart phones with rich hardware and software integration. The average size has also grown from 1 to 3 inches to the current mainstream 5 to 6 inches or more. At the same time, the screen is also developing towards a higher screen ratio (16: 9 to 18: 9), and the screen is closer to the full screen through special-shaped cutting and drilling. In recent years, due to the thin and flexible characteristics of AMOLED, the world 's first foldable mobile phone Galaxy Fold was mass-produced in 2019, providing consumers with a greater picture quality experience under limited carrying space. In this trend, in addition to maintaining the existing optical performance, the functional film must significantly reduce the thickness of the body (more than 70%), while providing a certain mechanical strength to meet the needs of light and thin foldable.

3. **High weather resistance application:**

As the trend of digitization of information takes shape, the application of the display to expand to daily life continues to increase, and each space will have the opportunity to carry more display screens. For car space, in order to provide more driving information and audiovisual entertainment for driving and passengers, in addition to the enlargement of the panel size, there is also a display for exclusive passenger use. Considering the simple and stylish design sense, many key knobs are gradually integrated into the touch panel. Finally, in order to meet the environmental conditions for outdoor use, all components must also meet stringent reliability tests. Under this application requirement, in the future, in the outdoor application of functional films, in addition to passing the high-specification weather resistance test, it is also necessary to take into account the visibility and safety in a specific use situation and the function of touch integration.

Polarizers are key components of LCD and OLED flat display technology. At present, the global polarizer manufacturers are mainly Japan, South Korea, Taiwan and China. Observe the recent market trends of polarizer factories in various regions: The focus of Japanese polarizer factories has shifted from large size to small and medium size. Some Korean manufacturers have gradually reduced the market size, while mainland Chinese manufacturers have continued to build large production lines. With limited new production capacity, Taiwanese manufacturers continue to cultivate their own core technologies and continue to compete with high-tech products. In order to avoid the severe competition in the Red Sea, polarizer manufacturers in the technology-leading group have gradually shifted from capacity expansion competition to the competition of new technologies and high value-added products, such as microstructured functional films to improve 8K LCD image quality, AMOLED ultra-thin multifunctional integration Type polarizers, wide viewing angle high-weather polarizers are all production technologies with barriers to entry and long learning curve, which can meet diverse display applications and create higher added value.

Advanced Battery Materials: Due to the subsidy policy of mainland China, the industry blindly expanded production, resulting in uneven battery manufacturers, overall low capacity utilization, and fierce market competition. Only in the context of the continued decline of government subsidies, manufacturers that do not have industrial technology and cost competitiveness will gradually phase out and withdraw from the market. In terms of industry trends, lithium battery technology and price demands with high energy density and high rate fast charging requirements will be the main key to the development of the electric vehicle industry.

Medical products: The market for medical supplies is large and stable, and the market for medical and aesthetic products is of high growth. Research institutions have pointed out that in the past financial crises, the decline and recovery of the medical industry are better than other industries. The medical industry is limited by the economic boom, and as most countries enter an aging society, related demand is expected to continue to climb upwards.

(3) Technology and R&D Overview

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

Unit: NT$ thousand

Year / Item	2015	2016	2017	2018	2019
R&D expenses	721,290	583,797	696,442	640,989	686,303
Net operating income	14,628,865	12,753,953	11,132,587	12,764,171	13,942,969
Percentage of operating income (%)	4.93%	4.58%	6.26%	5.02%	4.92%

1. Successfully developed technology or product

Functional film: BenQ materials continue to exert their innovative R & D energy. In 2019, they exhibited the latest technologies at major exhibitions and won awards, including AMOLED ultra-thin multi-functional integrated polarizers, UHDEP 8K LCD image quality improvement technology, wide viewing angle and weather-resistant polarized light. Film, special-shaped polarizer, etc.

Advanced Battery materials: High air permeability, low current DC resistance, anti-wrinkle of electrolyte, high TD strength lithium ion power battery separator, aluminum plastic film for power lithium battery and black thin aluminum plastic film for portable lithium battery .

Medical products: hemostatic improvement technology, scar removal silicone pens, silicone gel color throw contact lenses, negative pressure wound treatment systems, medical-grade packaging materials, low-temperature membrane materials for medical packaging materials development and medical paper, and matching Ultra-low temperature membrane used in Tyvek materials.

Fabric: At the ISPO Munich exhibition in 2020, it announced that the base material waterproof and breathable technology brand Xpore, and the French brand Picture Organic Clothing and the well-known Italian brand Geox, jointly announced new products, is expected to be launched in 2020 FW.

2. Future R&D technology focus

Functional film: Continue to develop high-resolution display functional film solution, high weather resistance display functional film solution and portable mobile device functional membrane solution.

Advanced Battery Materials: thin films for next-generation lithium-ion power batteries, functional coating materials, ultra-thin aluminum plastic films and surface-resistant electrolyte aluminum plastic films.

Medical products: hemostasis and antibacterial multifunctional products, wound healing dressing technology development, multifunctional anti-adhesion silicone glue contact lenses, development of individual bags in accordance with medical safety regulations class 4 for the North American market, and steam sterilization indication tapes used in hospitals.

BenQ Materials 'combined R & D expenditure in 2019 was approximately NT $ 690 million. In the future, it will continue to develop R & D talents and advanced technology training, increase the added value of existing production capacity through new technologies and new applications, and also plan new products and technologies The development progress gradually sets the R & D budget and adjusts to changes in the large environmental market and operating conditions to ensure the company's competitive advantage.

In 2020, the company expects to invest another NTD 660 million in R & D expenditures, but it will make timely planning adjustments based on global market conditions and the company's actual operating conditions.

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

1. Short-term development plan:

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. Including wearable devices, car displays and elongated public displays required for special-shaped cutting, micro-structure precision engraving, thinning and high weather resistance polarizers. 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. It is used in large-scale applications such as micro-structured precision engraving film (UHDEP) required for 8K high-resolution TVs, low-reflection polarizers that enhance the contrast of bright rooms, and water blocking polarizers that improve durability. The small and medium size is the thinnest circular polarizing film which is the first semi-transmissive ECB polarizer in the market and expands the applications of Flexible and Foldable. High weather resistance products are expanding the layout of automotive display products, including polarizers and optical OCA glue, from the current 7 "~ 12.3" to more than 20 "demand. BenQ materials focus on polymers, precision coating, injection and extrusion, In addition to providing high-value-added optical functional materials, core technologies such as optics, precision engraving and roll-to-roll processes are also dedicated to research and development to solve product technology needs that have not been satisfied by customers. Continue to deepen strategic cooperation with customers and terminal brands. To create a win-win situation, and hope to consolidate the company's leading position in the technology and value of the polarizer industry.

Advanced Battery materiasl:

(1) Stabilize the existing vehicle power battery markets in South China, East China, and Japan, and expand business in the European and South Korean markets to achieve global deployment and increase market share.

(2) Through its own technology, it integrates upstream raw materials into downstream battery factories and car factories.

Medical products:

In response to the needs of doctors, hospitals, patients, users and other aspects, develop more appropriate products and further change the service model. Continue to improve quality and brand promotion, and increase the penetration rate of medical products together with channels; expand foreign markets and enrich product lines.

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

Functional film:

In addition to cooperating with advanced display technologies such as AMOLED, 8K-LCD, Mini LED, and Micro LED to develop corresponding quality-improving functional films, it has also continued to invest in R&D resources, cultivate independent technology development capabilities, and maintain technological leadership with the latter. In addition, a complete layout of patents, in addition to the establishment of technical obstacles, at the same time, it can obtain a leading opportunity in cooperation with customers and brand factories compared with the industry. In the product part, more emphasis will be placed on value integration and added value enhancement. For upstream supply chain partners, technical exchanges and strategic alliances will be expanded. At the same time, strengthen the after-sales service of products to maintain benign interaction and trust with customers, and form a good partnership with customers. Finally, as a member of social resources, BenQ Materials will continue to improve and simplify production processes, save energy and reduce carbon and strengthen green design and waste management, fulfill social responsibilities and strengthen risk management.

BenQ Materials will uphold the direction of product differentiation, high quality and high value, and maintain the long-term competitiveness of the industry.

Advanced Battery Materials:

(1) Continuously develop high-value-added films on in-vehicle products and stabilize the cooperation model with customers.

(2) Strengthen the promotion and sales of the Japanese, European and American markets.

(3) Carry out product development in new fields and follow the development trend of new energy in the future.

Medical products:

(1) Complete the establishment of marketing channels in the end consumer market, enhance the value of its own brand, and become a well-known brand of medical care products.

(2) Expanding the breadth and depth of operations through strategic cooperation between upstream, midstream and downstream industries.

Marketing and sales overview

(1) Market analysis

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

Unit: NT$ thousand

Reigon \ Year		2018		2019	
		Sales amounts	Ratio (%)	Sales amounts	Ratio (%)
Domestic		5,536,711	43.4%	4,857,802	34.8%
Export	7,192,512	7,192,512	56.3%	9,005,633	64.6%
	34,948	34,948	0.3%	79,534	0.6%
	7,227,460	7,227,460	56.6%	9,085,167	65.2%
Total		12,764,171	100%	13,942,969	100%

(2) Market share

According to data from the survey report of the Yano Institute of Economic Research, the top six global polarizer manufacturers in 2019 are LG Chem, Sumitomo Chemical, Nitto Denko, Samsung SDI, Chengmei Materials, and BenQ Materials. BenQ Materials' global market share is about 5.5%.

(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 supply and demand:

- According to IHS Technology, a market survey agency, the overall demand for polarizer industry shipments will grow by 6% in 2019.The increase in the average size of displays mainly benefited from many applications. It is expected that the demand for large-size panels in the terminal market will continue to be driven.According to the latest estimate of the market research agency Yano Economic Research Institute, the area of demand for polarizer shipments will grow by 8% in 2020.The performance of the polarizer industry is closely related to terminal electronic products such as TVs, desktop monitors, notebooks and tablets, mobile phones and professional monitors, as well as the overall environmental changes.

- From the perspective of the polarizing plate supply market, the annual growth rate of global polarizing plate production capacity in 2019 reached 2.6%.With the production capacity of the industry's ultra-large and wide production lines, it is expected to grow by about 6.5% in 2020, of which more than 90% of the increase in production capacity comes from In mainland China. However, the mass production learning curve of the ultra-large width production line is still to be observed and the materials required for the ultra-large width are not yet complete, and the actual production volume that can be put on the market remains to be observed.At the same time, products in various application markets are developing towards higher value requirements, such as higher resolution, thinner, lighter, bend-resistant designs, and the expansion of automotive and public outdoor displays. In addition to the impact of changes in supply and demand in the future, industrial competition will move from capacity competition to technological capabilities and product integration.

(2) Favorable factors

- High-demand growth market: With the ubiquity of displays and the gradual opening of high-generation panel production capacity, the demand for polarizers has gradually expanded along with the increase in the average size of panels and multiple applications.
- Popularization of high-resolution ecosystem and communication technology: In response to the rapid enlargement of the average TV size, in addition to the display area, consumers are demanding better picture quality and personal experience for large-size display products. BenQ materials are based on its own micro-structured precision engraving and provide a wide-angle polarizer solution for high-resolution large-size TVs. It can effectively improve the problem of uneven viewing angle color caused by the enlargement of the panel size.The demand for related products has also evolved along with the high value of desktop monitors and professional monitors.
- Internet of Things business opportunities: With the gradual development of 5G business operations, through denser network coverage and support for more efficient data transmission, various networked display devices have rapidly increased and pushed the display area to a larger size. BenQ Materials focuses on smart entertainment, smart retail, smart handheld, smart wearable, and automotive applications, launching polarizer solutions that include wide viewing angles, light guides, thinness, high weather resistance, and bending resistance, integrating its own core technologies, Create diverse applications and high-quality products to meet the business opportunities of the Internet of Things.

(3) Unfavorable factors and countermeasures:

- Continuous expansion of factories in mainland China: In recent years, competitors in mainland China have concentrated on investment in ultra-wide production lines and continued to expand production capacity, which has affected the supply and demand of the polarizer industry. However, the immature learning curve and unstable equipment manufacturing process often cause confusion in customer product demand and supply. BenQ Materials maintains a long-term cooperative relationship with customers and becomes a stable quality backing for customer product production. At the same time, in line with customer needs and planning, the product composition continues to move toward high technology and high added value. Through technology, flexibility, patent and customer relationship, and the combination of product differentiation brings value enhancement.

- The main materials still rely on imports: Due to the early development and layout of Japan, the main raw materials of current polarizers all depend on imports from Japan. At the same time, in the face of falling prices of terminal products, the polarizer industry has a dilemma. Therefore, the raw materials of the company's main products should be maintained by at least two suppliers in order to diversify the purchase concentration risk and maintain long-term exchanges and good mutual trust and cooperation.

Advanced Battery Materials:

(1) Market supply and demand: The global market is booming.

(2) Favorable factors: The market for electric vehicles and energy storage benefiting from end products is booming, and the demand for Advanced Advanced Battery Materials continues to grow.

(3) Unfavorable factors: The product verification period is pretty long.

(4) Countermeasure: Maintain a cooperative relationship with large customers, use independent research and development technology to develop future products, and maintain a niche.

Medical products:

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

(2) Favorable factors: The industry is limited by the boom.

(3) Unfavorable factors: The entry barrier is high and the certification time for some products is long. Consumers are mostly price-oriented, and high-quality products need to be promoted.

(4) Coping with 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

Important uses of major products and production process

1. Important uses of main products

Main products	Important use or function
Functional film	Polarizers are the key components necessary for the current mainstream display technology TFT-LCD and AMOLED. Using precision roll-to-roll dyeing extension process and optical design, the optical film material has the effect of polarized light, and then used with the liquid crystal layer of the panel to switch between bright and dark display, or with AMOLED to greatly improve the problem of mirror reflection. 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.

3. Production process of main products

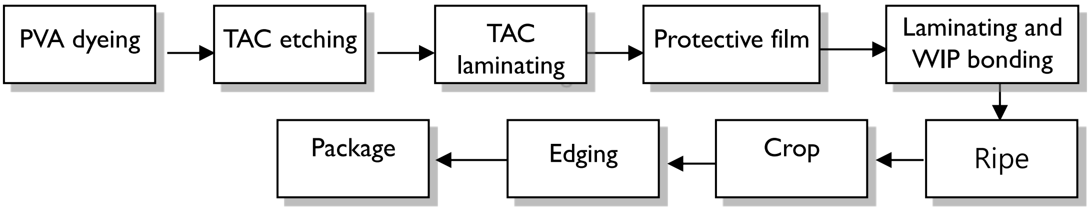
Production process of functional film:

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 terminal display device. Different characteristics required, 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 (16: 9) and long type (21: 9) And 32: 9), circular and drilling and other special applications.



(3) Supply status of main raw material

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

(4) Major supplier information in the past two years

Unit: NT$ thousand; %

2018				2019			
Name	Price	Percentage of net purchases in the whole year (%)	Relationship with the issuer	Name	Price	Percentage of net purchases in the whole year (%)	Relationship with the issuer
A	3,923,045	45	-	A	3,560,696	38	-
B	1,040,790	12	-	B	1,211,155	13	-
Other	3,804,844	43	-	Other	4,530,031	49	-
Net purchases	8,768,679	100	-	Net purchases	9,301,882	100	-

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

(5) Major sales customer information in the past two year

Unit: NT$ thousand; %

2018				2019			
Name	Price	Percentage of net purchases in the whole year (%)	Relationship with the issuer	Name	Price	Percentage of net purchases in the whole year (%)	Relationship with the issuer
A	7,055,127	55	Related person	A	6,090,776	44	Related person
Others	5,709,044	45	-	Others	7,852,193	56	-
Net sales	12,764,171	100	-	Net sales	13,942,969	100	-

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

(6) Production value table in the past two year

Unit: NT$ thousand; %

Yr / Main items	2018			2019		
	Capicity	Yield	Value	Capicity	Yield	Value
Functional films	30,809	20,553	10,432,303	33,703	22,980	11,320,639
Others	-	-	9,388	-	-	29,821
Total	30,809	20,553	10,441,691	33,703	22,980	11,350,460

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

Unit: NT$ thousand; %

Yr / Main items	2018				2019			
	Domestic		Export		Domestic		Export	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Functional films	13,160	5,174,507	17,272	6,777,612	10,718	4,364,445	21,659	8,158,862
Others	-	362,204	-	449,848	-	493,357	-	926,305
Total	13,160	5,536,711	17,272	7,227,460	10,718	4,857,802	21,659	9,085,167

Employee information

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

Year		2018	2019	2020.4.20
Employee Amount (person)	Direct employees	826	930	929
	Indirect employees	567	612	605
	Total	1,393	1,542	1,534
Average age (age)		36	35.2	35
Average years of service (years)		5.7	6.1	6.1
Education distribution ratio (%)	Phd	2	2	2
	Postgraduate	21	21	21
	Undergraduate	41	41	41
	High school	34	32	32
	Under high school	2	5	5

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. As of the date of publication of the annual report, and explain the future countermeasures (including improvement measures) and possible expenditures (including the possible loss if the countermeasures are not taken) ,The estimated amount of punishment and compensation, if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated)

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

- In March 2018, the Taoyuan plant and Longke plant failed to declare the amount of butyl acrylate released to the competent authority before January 31, 2018, violating the toxic chemical substance operation and release record management methods, and each was fined NT$ 60,000, a total of NT$120 thousand. This is missing from the declaration and has not caused environmental pollution.
- In November 2018, Yunke plant violated Article 36 of the Waste Cleanup Law, stipulating the standards for waste storage and disposal methods and facilities, and was fined 60,000 yuan. For lack of storage, no environmental pollution.

(2) Countermeasures in the future (including improvement measures)

Improvements:

- When applying for permission to use or store toxic chemical substances, re-examine the compliance with relevant laws and regulations, and include the point in time required for declaration in the declaration plan.
- Check the waste storage requirements space and label specifications in the factory, and build a waste

storage place to meet the standards of waste storage facilities required by regulations to avoid environmental pollution risks such as open storage of the waste storage and the release of harmful substances.

The company has always complied with government environmental protection, safety and health regulations, and continues to invest resources every year to do its utmost for environmental protection. At present, the discharge values of various air pollution and wastewater are far lower than the legal standards. In order to let the public understand the company's efforts in the operation of corporate social responsibility, it also actively applied for awards and certifications.

Recently won public awards:

- In 2019, BMC prised the top 20 happiness enterprise in Optoelectronic industry by 1111 human resource banking.
- In 2016 ~ 2019, Taoyuan plant assisted Taoyuan City Government in the adoption of Nankanxi River and was awarded the Excellent Award.
- In 2015, Yunke plant was awarded the five-star award by Yunlin County Occupational Safety and Health Unit for three consecutive years.
- In 2015, Nanke plant won the Energy Saving Award of the Ministry of Economic Affairs.
- In 2014, Taoyuan plant passed the conformity judgment of the Cleaner Production Evaluation System of the Industry Bureau of the Ministry of Economic Affairs.
- In 2014, BenQ Materials won the Silver Award of the 23rd Enterprise Environmental Protection Award.
- In 2014, Yunke plant was awarded the excellent unit of labor safety and health in Yunlin County.
- In 2014, Taoyuan plant won the Excellent Performance Award for Energy Saving and Carbon Reduction Action Mark.

BenQ Materials will continue to be committed to the practice and concept promotion of environmental safety and health management. In the future, it will continue to obtain the Green Factory Mark of the Ministry of Economic Affairs and the goal of continuous energy and carbon reduction. In recent years, the global warming problem has become more and more serious. BenQ Materials hopes that through the above efforts, it can provide a better quality living environment, contribute to the sustainable development of society, and become one of the models of green enterprises.

Labour Relations

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

(3) BenQ Materials Human Rights Policy

BenQ materials follow the relevant labor laws and international human rights conventions to ensure that the company ′ s human resources unit does not have differential treatment based on gender, race, socioeconomic class, age, marriage and family status, and then implement employment, employment conditions, and salary , welfare, training, evaluation and promotion opportunities are equal and fair.

The implementation policy is as follows:

- The company regularly holds labor-management meetings. The company sets up an effective and appropriate grievance mechanism for matters that jeopardize labor rights, and formulates work rules to incorporate employment contracts and training materials for new recruits, and occasionally conducts promotional activities.
- The company is committed to safeguarding human rights of employees. With reference to international labor certification, global Sullivan principles, the United Nations Guiding Principles for Business Enterprises and Human Rights, the Electronic Industry Citizenship Union Code of Conduct, and the Labor Standards Act, not only does the "human rights policy" target working age , Working hours, wages and benefits, humane treatment, non-discrimination, assembly, etc. to promote work protection, and is more committed to establishing a management mechanism on the executive side to ensure that colleagues are properly taken care of, such as designing multiple communication or complaint channels, advocating A corporate culture that is willing to communicate, prudently keep confidential and handle personal complaints or incidents, actively shape a corporate environment that respects, cares for, and protects human rights, protects the power of labor organizations and collective bargaining, and promotes healthy and positive labor-management relations.

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 and 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 2015, they received the "Gold Award for Employment" issued by the Taoyuan City Government and the "Silver Medal" evaluated by the Ministry of Labor′s 2016 Quality Management System for Talent Development "The honor. In actual operation, the company's various welfare plans are composed of company employees to form a welfare committee, which is responsible for the planning and implementation of employee welfare matters. The current welfare measures are as follows:

1. 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 provides in particular: 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.
3. Welfare planning: New Year gifts, various tourism and networking activities, sports competitions, scholarships, club activities and movie appreciation.

3) Education and training and 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	Explanation	Course/ System Example
Core Development	According to the training and development activities designed in order to achieve the company's corporate vision, each employee needs the core competence to develop, an integrated system structure.	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 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	2018			2019		
	Total amount (person)	Total hours (hours)	Total fees (NT$: thousand)	Total amount (person)	Total hours (hours)	Total fees (NT$: thousand)
1. New recrit training	581	3,805	332	561	2,999	423
2.Professional functional training	1,352	7,393	1,148	1,988	6,506	813
3.Supervisors training	188	1,620	260	281	2,034	772
4.General training	336	1,286	200	978	1,848	284
Total	2,457	14,104	1,940	3,808	13,387	2,292

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 both 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. Those who apply the Labor Pension Regulations to the pension system, according to the Labor Pension Regulations, the monthly pension contribution rate of not less than 6%, and according to the monthly salary scale approved by the Executive Yuan, withdraw and save The employee 's personal pension pension account established with the Labor Insurance Bureau.

5) Agreement between labor and management:

The company attaches great importance to the opinions of employees. In addition to holding regular company business briefings and monthly supervisor meetings for all employees, it adopts the walking and open management methods of supervisors and encourages colleagues to communicate with relevant personnel in an open and transparent manner at any time, and requires the supervisor and relevant departments to give a quick reply in order to implement the purpose of 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, it 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 OHSAS 18001 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, machine equipment Add or move machines, add and modify pipelines, change major condition parameters, change power facilities, change tools and fixtures, other fire and explosion risks, organize personnel changes, etc., to truly control risks and reduce environmental impact.

2. Promote safety culture:

   The company continues to promote safety culture activities, from the "dependence phase" of "taking care of employees' safety is the responsibility of supervisors", and has now been upgraded to the "mutual assistance phase" of "self-safety and self-responsibility". It is hoped that every colleague will 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 Procedures to truly protect yourself 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 to pass safety and health management measures and messages to achieve good two-way communication.

4. Promote employee health

The company has professional nursing staff to plan a complete health management plan. In addition to health checkups, regular medical consultations and various dynamic activities for health promotion are held. In order to enable employees to obtain relevant health information and personal health information at any time, and build an E-based health management platform. In addition, there are professional employee assistance programs, and professional teams provide psychological and legal advice. In order to respond 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.

(2) 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

2020- 4- 20

Contract type	Party	Date of contract	Main content	Restrictions
Financing	E.Sun Commercial Bank, Ltd.	2018.08-2023.08	Enrich interim operating capital	None

Financial Information

1. Condensed balance sheet and consolidated income statement for the past five years

(1) Condensed balance sheet

1. International Financial Reporting Statndards- Consolidated Financial Statements

Unit: NT$ thousand

Item / Year		Financial information for the current 5 years				
		2019	2018	2017	2016	2015
Current Assets		4,572,402	4,788,590	4,916,832	4,580,650	6,133,733
Properties		4,357,273	4,331,733	4,586,016	4,784,206	4,368,835
Intangible Assets		44,578	44,663	50,155	63,463	15,012
Other Assets		1,353,668	1,178,174	657,313	746,590	780,419
Total Assets		10,327,921	10,343,160	10,210,316	10,174,909	11,297,999
Current liabilities	Before distribution	3,977,707	4,089,202	4,131,643	3,944,979	4,759,696
	After distribution	Not assigned	4,281,607	4,420,250	3,944,979	5,144,505
Non- current liabilites		2,219,246	2,069,943	1,947,865	2,597,096	1,924,714
Total liabilities	Before distribution	6,196,953	6,159,145	6,079,508	6,542,075	6,684,410
	After distribution	Not assigned	6,351,550	6,368,115	6,542,075	7,069,219
The right attributable to the owner of the parent company		4,130,968	4,125,863	4,130,808	3,632,834	4,613,589
Share capital		3,206,745	3,206,745	3,206,745	3,206,745	3,206,745
Capital reserve		5,618	2,734	2,723	2,708	6
Retained surplus	Before distribution	952,501	911,104	871,162	346,035	1,151,065
	After distribution	Not assigned	718,699	582,555	346,035	766,256
Other rights		(33,896)	5,280	50,178	77,346	255,773
Treasury stocks		-	-	-	-	-
Non-controlling rights		-	58,152	-	-	-
Total equity	Before distribution	4,130,968	4,184,015	4,130,808	3,632,834	4,613,589
	After distribution	Not assigned	3,991,610	3,842,201	3,632,834	4,228,780

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

2. International Financial Reporting Standards-Individual Financial Statements

Unit: NT$ thousand

Item / Year		Financial information for the current 5 years				
		2019	2018	2017	2016	2015
Current Assets		4,153,215	4,298,318	4,763,679	4,302,276	5,506,472
Properties		3,195,212	3,038,812	3,081,644	3,310,061	3,191,291
Intangible Assets		22,125	13,139	13,119	14,784	14,433
Other Assets		2,702,663	2,616,341	2,322,645	2,532,372	2,721,047
Total Assets		10,073,215	9,966,610	10,181,087	10,159,493	11,433,243
Current liabilities	Before distribution	3,783,109	3,828,897	4,130,013	3,940,376	4,902,011
	After distribution	Not assigned	4,021,302	4,418,620	3,940,376	5,286,820
Non- current liabilites		2,159,138	2,011,850	1,920,266	2,586,283	1,917,643
Total liabilities	Before distribution	5,942,247	5,840,747	6,050,279	6,526,659	6,819,654
	After distribution	Not assigned	6,033,152	6,338,886	6,526,659	7,204,463
Share capital		3,206,745	3,206,745	3,206,745	3,206,745	3,206,745
Capital reserve		5,618	2,734	2,723	2,708	6
Retained surplus	Before distribution	952,501	911,104	871,162	346,035	1,151,065
	After distribution	Not assigned	718,699	582,555	346,035	766,256
Other rights		(33,896)	5,280	50,178	77,346	255,773
Treasury stocks		-	-	-	-	-
Total equity	Before distribution	4,130,968	4,125,863	4,130,808	3,632,834	4,613,589
	After distribution	Not assigned	3,933,458	3,842,201	3,632,834	4,228,780

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

(2) Condensed income statement

1. International Financial Reporting Standards-Consolidated Financial Statements

Unit: NT$ thousand

Item \ Year	Financial information for the current 5 years				
	2019	2018	2017	2016	2015
Operating income	13,942,969	12,764,171	11,132,587	12,753,953	14,628,865
Operating margin	2,142,028	1,850,177	1,745,900	1,278,866	2,220,808
Operating net profit (loss)	353,857	439,629	295,990	(173,165)	653,155
Non-operating income and (expense)	(19,364)	(67,335)	249,306	(227,827)	(75,508)
Net befor tax (loss)	334,493	372,294	545,296	(400,992)	577,647
Business unit Net (loss) in the current period	334,493	372,294	545,296	(400,992)	577,647
Loss of closed business	-	-	-	-	-
Net (loss) in the current period	256,740	325,374	525,127	(420,221)	505,933
Other comprehensive (loss) in the current period (Net after tax)	(39,087)	(44,855)	(27,168)	(178,427)	(73,919)
Comprehensive (loss) total	217,653	280,519	497,959	(598,648)	432,014
Net belongs to the owner of the parent company	257,124	328,579	525,127	(420,221)	505,933
Net belongs to non-controlling right	(384)	(3,205)	-	-	-
The total profit and loss is attributed to the owner of the parent company	217,948	283,681	497,959	(598,648)	432,014
Comprehensive profit and loss total attribution from non-controlling right	(295)	(3,162)	-	-	-
Earning per share (loss)	0.80	1.02	1.64	(1.31)	1.58

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

2. International Financial Reporting Standards-Individual Financial Statements

Unit: NT$ thousand

Item \ Year	Financial information for the current 5 years				
	2019	2018	2017	2016	2015
Operating income	13,058,534	12,252,741	11,019,282	12,663,408	14,539,033
Operating margin	1,826,809	1,652,841	1,660,403	1,168,390	1,975,580
Operating net profit (loss)	514,714	558,115	431,636	(92,068)	601,486
Non-operating income and (expense)	(193,104)	(194,490)	97,088	(323,591)	(42,642)
Net befor tax (loss)	321,610	363,625	528,724	(415,659)	558,844
Business unit Net (loss) in the current period	257,124	328,579	525,127	(420,221)	505,933
Loss of closed business	(39,176)	(44,898)	(27,168)	(178,427)	(73,919)
Net (loss) in the current period	217,948	283,681	497,959	(598,648)	432,014
Other comprehensive (loss) in the current period (Net after tax)	-	-	-	-	-
Comprehensive (loss) total	-	-	-	-	-
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	0.80	1.02	1.64	(1.31)	1.58

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

(3) Audit name and audit opinions

Year	2019	2018	2017	2016	2015
Auditor Name	Tsih-Jieh, Tang	Wei-Ming, Shih	Wei-Ming, Shih	Wei-Ming, Shih	Hui-zhen, Zhang
	Wei-Ming, Shih	Hui-zhen, Zhang	Hui-zhen, Zhang	Hui-zhen, Zhang	Li-li, Lu
Audit Opinions	No reserve	No reserve	No reserve	No reserve	No reserve

2. Financial analysis in current five years

1. International Financial Reporting Standards-Consolidated Financial Statements

Analysis item / Year		Financial information for the current 5 years				
		2019	2018	2017	2016	2015
Financial structure (%)	Debt-to-asset ratio	60.0	59.6	59.5	64.3	59.1
	Long-term funds as a percentage of real estate, plant and equipment	145.7	144.4	132.6	130.2	149.7
Solvency (%)	Current ratio	115.0	117.1	119.0	116.1	128.9
	Quick ratio	59.6	64.3	75.2	74.2	93.1
	Interest coverage ratio	5.1	6.1	8.8	-	9.8
Management capactiy	Receivable turnover ratio (times)	6.8	5.0	4.2	5.7	4.0
	Average cash collection days (days)	54	73	88	64	91
	Inventory turnover rate (times)	6.1	6.1	6.1	7.5	6.2
	Payable turnover ratio (times)	4.3	4.3	3.9	3.8	3.5
	Average sales days	60	59	60	49	59
	Turnover rate of real estate, plant and equipment (times)	3.2	2.9	2.4	2.7	4.6
	Turnover of total assets (times)	1.4	1.2	1.1	1.3	1.3
Profitability	Return on assets (%)	3.1	3.7	5.7	(3.9)	4.6
	Return on shareholders' equity (%)	6.2	7.8	13.5	(11.6)	11.0
	Ratio of net profit before tax to paid-in capital (%)	10.4	11.6	17.0	(12.5)	17.4
	Net profit rate (%)	1.8	2.5	4.7	(3.3)	3.5
	Earnings (loss) per share	0.80	1.02	1.64	(1.31)	1.58
Cash flow	Cash flow ratio (%)	28.5	52.2	7.9	18.5	33.7
	Cash flow allowance ratio (%)	110.0	111.1	152.8	236.5	209.2
	Cash reinvestment ratio (%)	14.8	29.5	5.34	5.5	14.1
Leverage	Operation leverage	8.7	6.7	9.1	-	5.9
	Financial leverage	1.3	1.2	1.3	-	1.1

The reasons for the changes in various financial ratios in the last two years of 20% are explained as follows:
Receivable turnover ratio, Average cash collection days: Mainly due to increased collection of AR.
Return on shareholders' equity, Ratio of net profit before tax to paid-in capital, Net profit rate, Earnings (loss) per share, Operation leverage: Mainly due to increased marketing expenses.
Cash flow ratio, cash reinvestment ratio: Mainly due to decreased operational cash flow.

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

2. International Financial Reporting Standards-Individual Financial Statements

Analysis item \ Year		Financial information for the current 5 years				
		2019	2018	2017	2016	2015
Financial structure (%)	Debt-to-asset ratio	59.0	58.6	59.4	64.2	59.7
	Long-term funds as a percentage of real estate, plant and equipment	196.9	201.9	196.3	187.9	204.7
Solvency (%)	Current ratio	109.8	112.3	115.3	109.2	112.3
	Quick ratio	62.4	65.3	76.1	71.1	78.3
	Interest coverage ratio	5.1	6.3	9.0	-	9.8
Management capactiy	Receivable turnover ratio (times)	6.4	4.9	4.1	3.7	4.0
	Average cash collection days (days)	57	74	89	98	91
	Inventory turnover rate (times)	6.5	6.4	6.6	7.6	6.2
	Payable turnover ratio (times)	3.8	4.0	3.3	3.7	3.5
	Average sales days	56	57	56	48	59
	Turnover rate of real estate, plant and equipment (times)	4.1	4.0	3.6	3.8	4.6
	Turnover of total assets (times)	1.3	1.2	1.1	1.3	1.3
Profitability	Return on assets (%)	1.9	2.7	5.7	(3.4)	4.6
	Return on shareholders' equity (%)	6.2	8.0	13.5	(10.2)	11.0
	Ratio of net profit before tax to paid-in capital (%)	10.0	11.3	16.5	(13.0)	17.4
	Net profit rate (%)	2.0	2.7	4.8	(3.3)	3.5
	Earnings (loss) per share	0.80	1.02	1.64	(1.31)	1.58
Cash flow	Cash flow ratio (%)	29.4	49.8	1.9	17.3	33.7
	Cash flow allowance ratio (%)	111.3	107.4	133.3	217.9	209.2
	Cash reinvestment ratio (%)	14.6	26.4	1.3	4.8	14.1
Leverage	Operation leverage	5.0	4.6	5.6	-	5.6
	Financial leverage	1.2	1.1	1.2	-	1.1

The reasons for the changes in various financial ratios in the last two years of 20% are explained as follows:

Interest coverage ratio, Return on assets, Return on shareholders' equity, Net profit rate, Earnings (loss) per share: Mainly due to increased marketing expenses.
Receivable turnover ratio, Average cash collection days: Mainly due to increased collection of AR.
Cash flow ratio, cash reinvestment ratio: Mainly due to decreased operational cash flow.

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

The calculation formula of the analysis item is as follow:

1. Financial structure
   (1) Ratio of liabilities to assets = 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-inventory-prepaid expenses) / current liabilities.
   (3) Interest protection multiple = net income before income tax and interest expense / interest expense for the current period.
3. Operating capacity
   ((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 cash collection days = 365 / receivables turnover ratio
   (3) Inventory turnover ratio = cost of goods sold / average inventory amount.
   (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 sales days = 365 / inventory turnover rate.
   (6) Real estate, 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 = after-tax profit / loss / net sales.
   (4) Earnings per share = (net profit after tax-dividends on special shares) / weighted average number of issued shares.
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow allowance ratio = net cash flow from operating activities in the last five years / capital expenditure + increase in inventory + cash dividends in the last five years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities-cash dividends) / (gross property, plant and equipment gross + 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).

3. Audit Committee Check Report

The 2019 financial statements, business report, accountant verification report and surplus distribution case, etc., which is made by the BOD and audited by KPMG's CPAs, Cih Jie, Tang and Wei Ming, Shih, are verifiied by the Audit Committee. We believe there is no material inconsistency, and in accordance with Article 219 of the Securities Exchange Law, Article 14-4, Applicable Company Law, hereby report. Report for inspection.

Sincerely,

BenQ Materials Co., LTd. 2020 Regaular Shareholders′ Meeting

Audit Committee Check Report: 葉福海

2020- 5 - 5

4. The latest annual consolidated financial report and accountant verification report: please refer to Appendix 1 (pages 76 to 152) for details.

5. The latest annual individual financial report and accountant verification report: please refer to Appendix 2 (pages 153 ~ 235)

6. The company and its affiliates have experienced financial difficulties in the most recent year and up to the date of publication of the annual report: None.

Review of Financial Conditions, Operating Results, and Risk Management

Evaluation and analysis of financial position

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

Unit: NT$ thousand

Item \ Year	2019	2018	Differences	
			Amount	%
Current assets	4,572,402	4,788,590	(216,188)	(5)
Long-term investment	201,712	143,505	58,208	41
Properties	4,357,273	4,331,733	25,540	1
Intangible assets	44,578	44,663	(85)	(0)
Other assets	1,151,956	1,034,669	117,286	11
Total assets	**10,327,921**	**10,343,160**	(15,239)	(0)
Current liabilites	3,977,707	4,089,202	(111,495)	(3)
Non-current liabilites	2,219,246	2,069,943	149,303	7
Total liabilities	**6,196,953**	**6,159,145**	37,808	1
Share capital	3,206,745	3,206,745	0	0
Capital reserve	5,618	2,734	2,884	105
Cumulative profit (loss)	952,501	911,104	41,397	5
Other rights	(33,896)	5,280	(39,176)	(742)
Non-controlling interest	-	58,152	(58,152)	(100)
Total shareholders' equity	**4,130,968**	**4,184,015**	5,105	0

Major item change description

1. Long-term investment: Mainly due to the increased revenue of the invested company.
2. Capital reserve: Mainly due to changes of the shares of the invested company.
3. Other rights: Mainly due to exchange rate changes.
4. Non-controlling interest: Due to the 100% acquisition of Sigma Medical.

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	2019	2018	Difference ratio	
			Profit (loss) amount	%
Net operating income	13,942,969	12,764,171	1,178,798	9
Operating cost	11,800,941	10,913,994	886,947	8
Operating margin	2,142,028	1,850,177	291,851	16
Operating expense	1,788,171	1,410,548	377,623	27
Operating net profit (loss)	353,857	439,629	(85,772)	(20)
Non-operating income and (expense)	(19,364)	(67,335)	47,971	(71)
Net profit before tax (loss)	334,493	372,294	(37,801)	(10)
Income tax benefit (fee)	(77,753)	(46,920)	(30,833)	66
Net profit (loss)	256,740	325,374	(68,634)	(21)

Major change item description:

1. Operating cost, Operating profit (loss), Net profit (loss): Mainly due to the increased marketing expenses..
2. Non-operating income and (expenses): Mainly due to the differeces of exchange rate.
3. Income tax benefits (expenses): Mainly due to the increase in the undistributed surplus tax and income tax rate of profit-making enterprises from 17% to 20%.

Evaluation and analysis of cash flow

Changes in consolidated cash flow in the year 2019:

Unit: NT$ thousand

Year	Initial cash balance	Cash flow from operating activites throughout the year	Cash flow from investment activites throughout the year	Cash flow from financing activities throughout the year	Cash remaining (Including exchange rate influence)
2018	275,698	2,133,784	(863,153)	(1,338,429)	169,013
2019	169,013	1,131,775	(718,148)	(402,348)	196,254
Change rate(%)	-38.70%	-46.96%	-16.80%	-69.94%	16.12%

1. Increase and decrease ratio change analysis:

   Business activities: Mainly due to the improvement of accounts receivable turnover rate and account payable turnover rate.

   Investment activities: Mainly due to the differeces of investment.

   Financing activities: Mainly due to repayment of bank loans and cash dividends.

2. Analysis of Cash liquidity in the coming year: The company takes the premise of maintaining stable cash liquidity, based on the cash balance on the account and the cash flow of operating activities and investment activities, weighs the financial market conditions, carefully plans and controls Various cash expenditures such as investment and operations.

3. 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 planc 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, injection and extrusion, optrics, procision 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. In 2018, the company obtained 89.03% equity and control of Sigma Medical Materials for NT$ 498,579 thousand, extending the development of the medical industry. In 2019, BMC made stock swap and the amount of NTD 61,284 to acquisite the resr of SGM. In the future, BMC will continue to invest in core business related strategies, and focus on brand management and new business development。

Risk Management

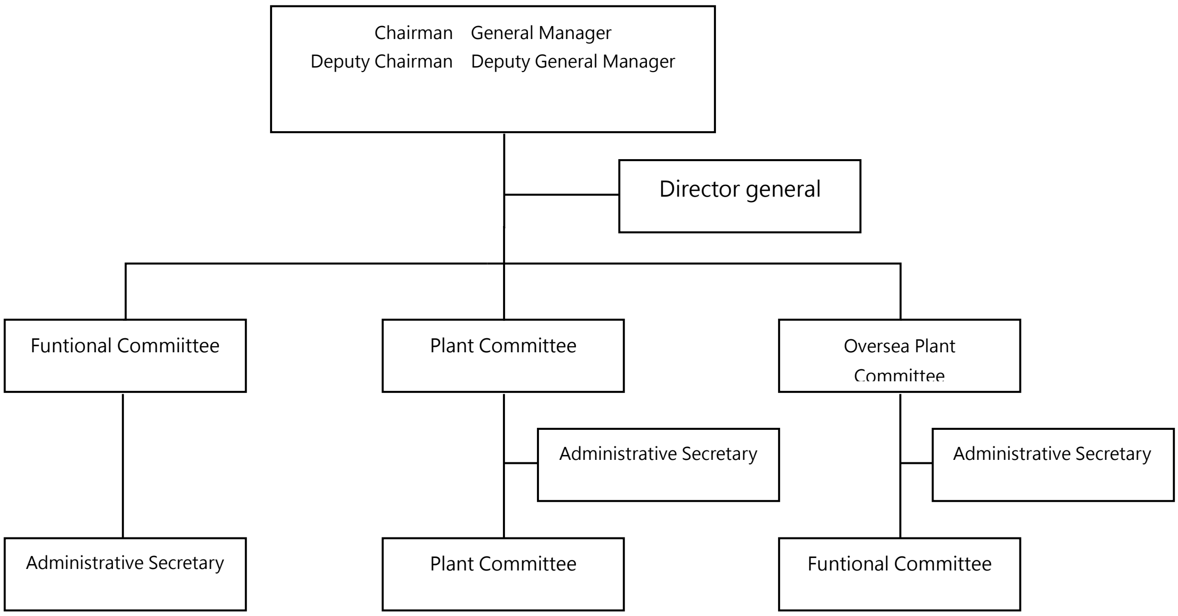
BenQ Material Risk Management focuses on the risk management system and risk transfer planning of corporate governance, and clearly sets out BenQ Material Risk Management vision and policy, and effectively manages risks that exceed the company's risk tolerance, and uses risk management tools to cost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

1. **Risk management vision:**
   1. Commit 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.
2. **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.
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.
   - Have negative impact on the safety of employees.
   - Negative impact on the company’s goodwill.
   - Cause violation of laws and regulations.

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, and uses Manage annual reports, analyze risk distribution and formulate risk improvement guidelines.

Risk management and evaluation

(I) The impact of interest rate, exchange rate changes, and inflation on the company's profit and loss and future countermeasures

Interest rate:

The main impact of interest rate changes on the company comes from the floating interest rate debts arising from supporting operations and investment activities. Changes in market interest rates will cause the floating interest rate of borrowings to change accordingly. In order to avoid higher interest rates 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.

Exchange rate changes:

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 exchange rate changes 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 2018 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 inventory to reduce the impact of inflation on the company and its subsidiaries.

(2) Engaged in high-risk, highly leveraged investment, capital lending and others, endorsement guarantees and derivative commodity trading policies, main reasons for profit or loss and future response

The company and its subsidiaries are not engaged in high-risk and high-leverage investments, and conduct capital allocation and risk avoidance activities on the principle of conservatism and stability.

When the company and its subsidiaries engage in fund lending with others, endorsement guarantees, and derivative commodity transactions, in addition to complying with the relevant operating procedures, and in accordance with the regulations of the competent authority, they shall periodically complete announcements and declarations:

5. Fund loan and others: As of the date of publication of the annual report, the company and its subsidiaries are limited to the company and its subsidiaries.
6. Endorsement guarantee: As of the date of publication of the annual report, the company and its subsidiaries did not provide an endorsement guarantee.
7. Derivative commodity transactions: The Company and its subsidiaries engage in derivative commodity transactions to cooperate with the company 's operations to avoid market risks and reduce the company 's operational risks.

In the future, the company and its subsidiaries will still use the principle of avoiding risks caused by fluctuations in exchange rates and interest rates. Depending on the company's operating conditions and market trends, the company will regularly evaluate and adjust relevant hedging strategies in due course.

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

For future R&D plans, please refer to page 50 of this annual report's Operational Overview.

(4) Impact of domestic and foreign important policy and legal changes on the company's financial business and corresponding measures

(1) Policy part: 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 of the operation. Therefore, the recent changes in relevant laws and policies have no significant impact on the company 's financial business .

(2) Legal part: The company's business philosophy is to follow the relevant laws and regulations as the highest guiding principle; therefore, the company's management team always pays attention to the replacement of various relevant laws and regulations, and expects to be able to respond to the different situations arising from the replacement of regulations at any time The changes that cannot be made lead to major changes in the company's strategy.

(5) The impact of technological changes and industrial changes on the company's financial business and corresponding measures

The company has always attached great importance to the investment and development of R & D talents and the development of product technology, and it has been adjusted flexibly in response to the latest changes in technology and industry. In addition, in the fiercely competitive and treacherous technology environment, the company's existing core technology is used to find forward-looking, high-margin products are actively invested in the development of new product lines, with a view to making the company sustainable, and the source of profits will not be affected by changes in the technology generation.

(6) Impact of corporate image change on corporate crisis management and countermeasures

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

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

The Company acquired additional ordinary shares of SMS with cash of $38,889 thousand. As a result, the percentage of ownership in SMS was increased to 96.00% in the second quarter of 2019. For the purpose of aggregating the group's resources and improving operating efficiency, BenQ's board of directors approved on May 6, 2019, in accordance with Business Mergers and Acquisitions Act Ruling No. 30, to purchase SMS's ordinary shares at NT$14 per share held by the shareholders dissenting (as of December 31, 2019, cash of $20,725 thousand was paid, the residual amount of $1,670 thousand recognized in other accounts payable) on the share exchange transaction on June 17, 2019. As a result, BenQ acquired 100% shareholdings of SMS.

1. Expected benefits: Increase the proportion of medical revenue, and extend core R&D capabilities and manufacturing technologies to the development of medical-related materials.
2. Possible risks: The business performance was not as expected due to the impact of the overall economic environment.
3. Response measures: Regularly review its operation status, timely review and supervision.

(8) Expected benefits and possible risks of plant expansion

BenQ Materials has successfully transformed into an enterprise focusing on the development of the "Material Science" professional field to create a golden triangle operating structure of functional films, medical products and advanced Advanced Advanced Battery Materials, and manufacture high-value-added products (such as polarizer front-end processes, Chemicals / biomedicine / energy and other materials) are developed in Taiwan, so they will continue to develop and construct new product manufacturing plants in order to achieve the company's sustainable management and development and the philosophy of keep the 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. It will have three major product groups: "functional film business", "medical product business" and "advanced battery material business", based on the company's future operations. Strategic planning and product development schedule to complete the construction of relevant factories to maximize the benefits of economic scale.

(9) Risks faced by concentration of purchases or sales

1. The risks and countermeasures of purchase concentration:

   The company needs to obtain the raw materials needed for production in a timely manner. Some of the purchased raw materials are supplied by a single manufacturer. Therefore, if there is a shortage of raw materials from the supplier or its upstream manufacturers and the company fails to find alternative materials in time, it will cause the risk of failing to supply in time to meet customer needs. As a result, the company's revenue and profit may decline. The company continues to introduce local suppliers to reduce the proportion of raw material imports. In addition to effectively reducing supply chain costs, it also reduces supply chain risks. In addition, for raw materials supplied by a single supplier, in addition to cooperating with existing suppliers to import non-single production plants, the company also targets for upstream raw material decentralized procurement and is committed to importing new suppliers, hoping to minimize related risks.

2. The risks faced by sales concentration and corresponding measures:

   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. , Will affect the company's revenue and profit. Therefore, the company is committed to maintaining a close relationship with customers and continuing to provide satisfactory services, and strictly controlling the changes in customers' credit status, and is also committed to the development of potential customers to reduce the risk of concentration of sales.

(10) Directors, independent directors or large shareholders holding more than 10% of the shares

The directors of the company do not have a lot of equity transfer or replacement.

(11) 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.

(12) Litigation or non-litigation events should list the company and the company 's directors, supervisors, general managers, substantive principals, major shareholders with more than 10% of the shares and subordinate companies have decided to determine or are still in the major litigation , Non-litigation or administrative disputes, the results of which may have a significant impact on shareholders 'equity or securities prices, should disclose their disputed facts, the amount of the target, the date of litigation, the main parties involved in the litigation and the handling situation as of the date of publication of the annual report

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

(2)The company's directors, supervisors, general managers, substantive persons in charge, major shareholders holding more than 10% of the shares and subordinate companies have been determined in the last two years and as of the date of publication of the annual report or are still in the department In the event of a major litigation, non-litigation or administrative dispute, the result of which may have a significant impact on shareholders 'equity or the price of securities:

The legal events of the company's director, Qisda Technology Co., Ltd. (referred to as Qisda), are described as follows:

1. A number of direct and indirect consumers in the United States filed a class-action lawsuit for damages in September 2010 on the grounds that Qisda was suspected of participating in ODD (Optical Disk Drive) product pricing agreements and violated US anti-trust laws. A settlement has been reached on the part of the class action of the direct consumer on Febuary, 2020.
2. A number of direct and indirect consumers in Canada filed a class action lawsuit for damages in January 2012 on the grounds that they have 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 has not yet been determined.

(13) Impact and risk of information system

In view of the current emerging security attack trends, such as ransomware, social attacks, and counterfeit emails, which seriously threaten the security of global companies and individuals. In order to protect the company's rights and objectives and establish sustainable and reliable computerization, 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. In accordance with the measures established, regularly audit and report to the board of directors, the risk management committee also reports to the board of directors on its operation status at the end of each year, and continues to pay attention to security issues and plans to respond to plans and strengthen security software and hardware purchases, including new anti-virus software Update, establishment of global safety net joint protection, internal operating system upgrade and bug fixes, etc.

- Information Security Policy

  In addition to improving internal information security management mechanisms, regular information security advocacy, and employee information security education and training, the company has started in 2019 in order to better meet international information security management trends and respond to customer information security requirements Plan to import ISO27001 information security management system. It is believed that through the introduction of the ISO27001 information security management system, it is possible to more effectively implement information security policies, protect customer data and the company's smart output, strengthen the resilience of information security incidents, and achieve information security policy measurement indicators.

- Information security and cyber risk control

  Cyber attacks are changing with each passing day, and information systems cannot completely avoid paralyzed cyber attacks from any third party. Cyber attacks use email, phishing, brute force, and other methods to import malicious programs into the company's internal network for destruction or data. steal. Destructive attacks may lead to the interruption of the company's production operations, and data theft attacks may cause important operational data or leakage of personal data such as employees and customers. The company adopts active information security enhancement operations. In addition to the introduction of next-generation firewalls, malicious mail filtering, employee Internet protection, operating system updates, anti-virus software deployment, and all-weather information security monitoring services, it is assessed quarterly through an internal risk management system. Risks related to information systems, and regularly report risk control and improvement status to the Risk Management Committee to control and reduce related network risks. Considering that security insurance is still a new type of insurance, it involves related supporting facilities such as security level detection institutions, claims identification institutions and non-claims conditions, so the company will continue to evaluate suitable security insurance.

- Staff regular security training

  In addition to the basic information security training for newcomers when entering the company, the company also regularly educates and educates employees on e-mail and other related information security knowledge to reduce the risk of employees accidentally clicking malicious mail. In addition to the regular information security training, the information security officers of each unit also arranged information security management system training, which was assisted by external professional lecturers to improve the information security management capabilities of each unit. Through the implementation of various information security education and training courses, in addition to enhancing colleagues' information security awareness, it also ensures that information security concepts can be integrated into daily operations.

- The company did not have any major cyber attacks that impacted the company's operations in the year 2018.

(13) Impact and risk of Intellectual Property system

BMC has the patent strategy and places onequivalent emphasis on both quality and quantity as the core principle of BMC patent management. In terms of patent filings, BMC has accumulated 1,061 patent applications as of end of 2019, and obtained 705 patent as of end of 2019. BMC has established a process to generate company value from intellectual property by aligning intellectual property strategy with R&D, business operation objectives, marketing, and corporate development strategies. Intellectual property rights protect the company's freedom to operate, enhance competitive position, and provide leverage to participate in many profitgenerating activities.

(15) Other important risks and countermeasures: None.

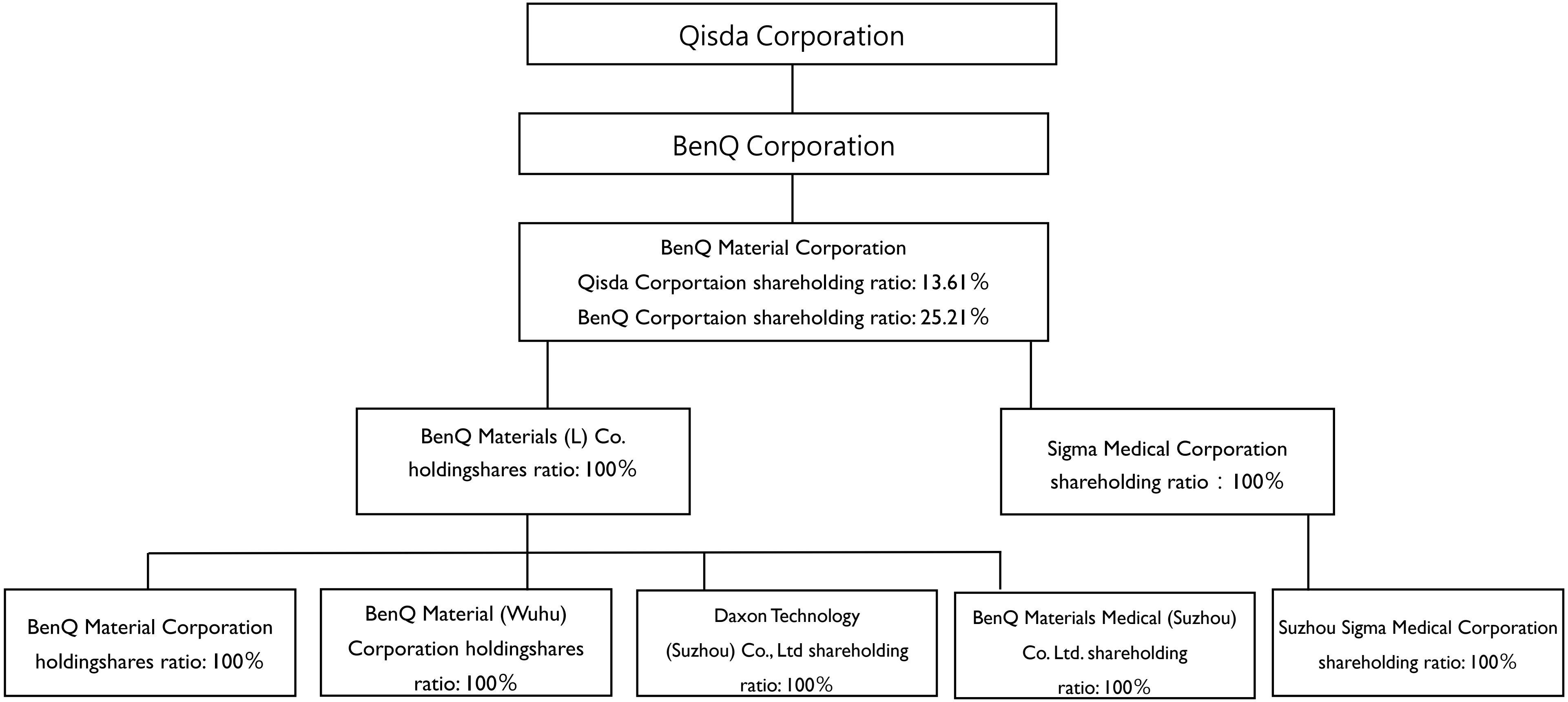
Other important matters

None.

Special Disclosure

Affliated Company Related Information

(1) Organization chart



(2) Basic information of related companies

2019-12-31; Unit: NT$ thousand

Company name	Establishment date	Address	Paid-in Capital	Main business or production project
BenQ Materials (L) Co.	2000.09.07	Level 15(B), Main office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	1,141,340	Investment holding company
BenQ Material Corporation	2000.09.29	No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China	890,735	Processing of functional films products
Daxon Medical Technology (Suzhou) Co., Ltd	2009.05.08	No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China	49,180	Provide services and sales of functional films, medical devices and other related products
BenQ Material (Wuhu) Corporation	2010.11.05	No. 106 Huajin South Road, High-tech Development Zone, Yijiang District, Wuhu City, Anhui Province, China	357,672	Provide services and sales of functional films, medical devices and other related products
BenQ Materials Medical (Suzhou) Co. Ltd.	2019.07.08	No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China	4,313	Medical equipment sales and manufacturing
Sigma Medical Co, Ltd.	1979.04.21	No. 34 Dingping Road, Ruifang District, New Taipei City, Taiwan	400,000	Medical equipment sales and manufacturing
Suzhou Sigma Medical Co, Ltd.	2000.12.15	No. 33, Yuexi Mulin Road, Wuzhong District, Suzhou city, China	48,898	Medical equipment sales and manufacturing

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

(4) 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 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 research and development, manufacturing and marketing, thereby generating the best competitiveness.

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

2020-03-31; Unit: thousand share; %

Company Name	Title	Name or Representative	Holding shares	
			Shares	Ratio%
BenQ Materials (L) Co.	Director	BenQ Material Corporation Representative: Zhien-Chi (Z.C) Chen Sheng-hsiang Wang	35,082	100%
BenQ Material Corporation	Director	BenQ Materials (L) Co.Representative: Chih-ping Wang Oliver Liu Charles Liu	-	100%
	Auditor	Sheng-hsiang Wang		
	General Manager	Chih-ping Wang		
Daxon Medical Technology(Suzhou) Co., Ltd	Director	BenQ Materials (L) Co.Representative: Ching-chi Hsu Ting-yuan Chiang Oliver Liu	-	100%
	Auditor	Sheng-hsiang Wang		
	General Manager	Ching-chi Hsu		

BenQ Material (Wuhu) Corporation	Director	BenQ Materials (L) Co.Representative: Ting-yuan Chiang Chih-ping Wang Oliver Liu	-	100%
	Auditor	Sheng-hsiang Wang		
	General Manager	Ting-yuan Chiang		
BenQ Materials Medical (Suzhou) Co. Ltd.	Director	BenQ Materials (L) Co.Representative: Ting-yuan Chiang Chih-ping Wang Charles Liu		
	Auditor	Sheng-hsiang Wang		
	General Manager	Ching-chi Hsu		
Sigma Medical Corporation	Director	BenQ Material Corporation Representative: Zhien-Chi (Z.C) Chen	40,000	100%
Suzho Sigma Medical Co., Ltd	Director	Sarah Lin Chih-ping Wang Charles Liu	-	100%
	Auditor	Sheng-hsiang Wang		
	General Manager	Sarah Lin		

(6) Financial status and operating results of related companies

2018-12-31; Unit: NT$ thousand

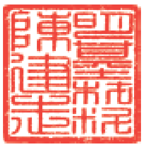
Company Name	Capital	Total assets	Total liabilities	Net value	Operating income	Operating profit and loss	Current profit and loss (after tax)	Earning per shares(NT$) (after tax)
BenQ Materials (L) Co.	1,141,340	2,024,142	510,142	1,514,000	1,626,038	(121,432)	(128,110)	-
BenQ Material Corporation	873,074	2,128,480	180,818	1,947,662	848,721	51,369	72,205	-
Daxon Medical Technology(Suzhou)	47,445	194,744	195,294	(550)	415,527	(42,607)	(46,150)	-
BenQ Material (Wuhu) Corporation	345,056	687,849	1,120,565	(432,716)	96,632	(124,746)	(151,771)	-
BenQ Materials Medical (Suzhou) Co. Ltd.	4,313	5,837	2,346	3,492	0	(816)	(27)	-
Sigma Medical Co., Ltd	560,000	592,112	204,869	387,243	601,774	(36,642)	(38,683)	-
Suzhou Sigma Medical Co., Ltd	47,929	90,539	49,066	41,473	161,189	(5,173)	(6,018)	-

(7) Related companies consolidated financial statements：

Declaration

The company's 2019 (from January 1 to December 31, 2019) 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.

Company Name: BenQ Material Corporation



Chairman: Zhien-Chi (Z.C) Chen

Date: Febuary 25th., 2020

(7) Affiliated enterprise report: Not applicable

Other necessary supplement

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

(5) 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.

(6) Other necessary supplementary notes: None.

(7) 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 Article 36, paragraph 3, of this law, it shall also be stated item by item: none.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of BenQ Materials Corporation as of and for the year ended December 31, 2019, under the Criteria Governing the 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 the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, BenQ Materials Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

BenQ Materials Corporation

Chairman： Zhien-Chi (Z.C.) Chen

February 25, 2020

Independent Auditors' Report

To the Board of Directors of BenQ Materials Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of BenQ Materials Corp. and its subsidiaries (the "Group") as at December 31, 2019, and 2018, and the related consolidated statements of comprehensive income, of changes in equity and cash flows for the years, then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and others explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BenQ Materials Corp. and its subsidiaries as at December 31, 2019, and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended by following the "Regulations Governing the Preparation of Financial Reports by Securities issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits by following the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audits report of other independent accountants, 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 judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

1. Inventory valuation

   For the accounting policy of inventory valuation, please refer to Note 4(8) of the consolidated financial statements; for the uncertainty of accounting estimates and assumption in relation to inventory valuation, please refer to Note 5; for the details of inventories, please refer to Note 6(6).

   Description of key audit matters:

   The primary inventory of BenQ Material Corp is optoelectronics products. Inventories are measured at the lower of cost and net realizable value. As the inventory of BenQ Material Corp. is affected by the market demand of the applied product and the yield of the production process, which caused in sluggish or falling prices, therefore the inventory is one of the important evaluations items for our implementation in the independent financial report.

The concern of audit procedure:

The main audit procedure of conducting key matters upon including look through the changing of inventory age in inventory age report analysis; sample testing the inventory cost and net realizable value file provided by BenQ Material Corp.; review sales and management meeting to assess the situation of destocking; Assess whether the evaluation of inventory is complies with the Company's established accounting policies; perform retrospective inventory testing to verify the rationality of obsolete and slow-moving inventories.

2. Impairment of subsidiaries' real property, plant and equipment and intangible assets

For accounting policies on impairment of non-financial assets, please refer to No 4(14) of the consolidated financial report; please refer to Note 5 of the consolidated financial report for explanations of uncertainties in accounting estimates and assumption of real property, plant and equipment and intangible assets.

Description of key audit matters:

The subsidiary BenQ Material Wuhu co., Ltd of BenQ Material Corp. (accounted under the equity method of investment), continues to incur losses due to its operations, and there may be significant risks of asset impairment in its real estate, plant and equipment and intangible assets. Due to the evaluation of asset impairment losses requires the estimation and the discount future cash flow to estimate the recoverable amount of assets, and the estimation of future cash flows involves management's subjective judgement and has significant uncertainties, therefore the asset impairment evaluation of BenQ Wuhu Corp is one of the important evaluation matters in the audit of individual financial statement performed by the auditors.

The concern of audit procedure:

The main audit procedure of conducting key matters above are in addition to comparing the discount rate used by the company's management when estimated the recoverable amount of assets with internal and external information to evaluate its reasonableness and estimating the future cash flow. The main audit procedures include assessing the rationality of past forecasts made by the company's management; the internal and external available information is compared with the main assumptions (including revenue growth rate, gross profit margin, and operating expense ratio) made by the company's management to evaluate the rationality of the assumptions.

Other Matters

BenQ Materials Corp. has edited the individual financial report in year 2019 and 2018, and the accountant and issued by this audit report expressed an unqualified opinion on file for reference.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of BenQ Material Corp. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BenQ Material Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of BenQ Material Corp.

Independent auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole area free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 separate financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identifying and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of no detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of BenQ Material Corp.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of BenQ Material Corp. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BenQ Material Corp. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BenQ Material Corp. to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the year ended December 31,2019 and are therefore the key audit matters. 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Taipei, Taiwan

Republic of China

February 25th., 2020

The accompanying financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China. The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

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

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note6(1))	$ 196,254	2	169,013	2
1110	Financial assets measured at fair value through profit or loss – current (Note 6(2))	8,696	-	19,190	-
1120	Financial assets at fair value through other comprehensive income– current (Note 6(3))	101,231	1	-	-
1170	Notes and accounts receivable, net (Note 6(4), (23))	1,761,951	17	1,681,148	16
1180	Accounts receivable from related parties, net (Note 6(4), (23) & 7)	69,628	1	611,739	6
1200	Other receivable (Note 6 (4) (5)&7)	228,504	2	142,469	1
1210	Other receivable from related parties (Note 6(5) &7)	164	-	278	-
1310	Net inventories (Note 6(6))	1,963,517	19	1,930,668	19
1470	Other current assets	237,817	2	228,241	2
1476	Other current financial assets	4,639	-	5,844	-
	Total current assets	4,572,402	44	4,788,590	46
	Noncurrent assets:				
1550	Investment in equity-accounted investees (Note 6(7))	201,712	2	143,505	1
1600	Property, plant and equipment (Note 6(9),7&8)	4,357,273	43	4,331,733	42
1755	Right-of-use asset (Note6(10) &7)	306,572	3	-	-
1760	Net investment real estate (Note 6(11))	483,964	5	493,380	5
1780	Intangible assets (Note 6(12) &7)	44,578	-	44,663	-
1840	Deferred tax assets (Note 6(20))	245,132	2	311,500	4
1920	Refundable deposits	17,202	-	21,870	-
1985	Long-term prepaid rent (Note 6(13))	-	-	105,464	1
1995	Other noncurrent assets (Note 6 (19))	99,086	1	102,455	1
	Total noncurrent assets	5,755,519	56	5,554,570	54
	Total Assets	$ 10,327,921	100	10,343,160	100

		December 31, 2019		December 31, 2018	
	Liabilities and Stockholders' Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Sort-term loans (Note 6(14))	$ 56,800	1	50,000	-
2120	Financial liabilities measured at fair value through profit or loss – current (Note 6(2))	1,991	-	1,360	-
2170	Notes and accounts payable	2,570,518	25	2,873,111	28
2180	Notes and accounts payable to related parties (Note 7)	21,830	-	40,645	-
2200	Other payables (Note 6(23))	1,108,900	11	1,018,963	10
2220	Other payables to related parties (Note 7)	18,277	-	15,525	-
2250	Provisions – Current (Note 6(16))	1,000	-	1,000	-
2320	Current Portion of Long-term Debt (Note 6 (15) & 8))	-	-	22,070	-
2281	Current lease liabilities (Note 6 (16))	3,252	-	-	-
2282	Current lease liabilities- related parties (Note 6 (16) & 7)	80,467	1	-	-
2399	Other current liabilities	114,672	1	66,528	1
	Total current liabilities	3,977,707	39	4,089,202	39
	Noncurrent liabilities:				
2540	Long-term borrowings (Note 6(15) & 8)	1,993,000	19	2,028,151	20
2570	Deferred tax liabilities (Note 6(20))	5,953	-	10,335	-
2581	Noncurrent lease liabilities (Note6 (16))	7,567	-	-	-
2582	Noncurrent lease liabilities – related parties (Note 6 (16) &7)	181,602	2	-	-
2600	Other noncurrent liabilities (Note 6 (19))	31,124	-	31,457	-
	Total noncurrent liabilities	2,219,246	21	2,069,943	20
	Total liabilities	6,196,953	60	6,159,145	59
	Equity attributable to shareholders of The Parent.(Note 6(19)(21)):				
3110	Ordinary stock	3,206,745	31	3,206,745	31
3200	Capital surplus	5,618	-	2,734	-
	Retained earnings				
3310	Legal reserve	251,953	2	219,095	2
3350	Unappropriated retained earnings	700,548	7	692,009	7
3400	Other components of equity	(33,896)	-	5,280	-
	Total equity attributable to shareholders of The Parent:	4,130,968	40	4,125,863	40
36XX	Non-controlling interest (Note 6(8)(21))	-	-	58,152	1
	Total interest	4,130,968	40	4,184,015	41
	Total liabilities and interest	$ 10,327,921	100	10,343,160	100

See accompanying notes to the consolidated financial statement.

BENQ MATERIALS CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2019			2018	
			Amount	%	**Amount**	%
4110	**Net Operating Revenue (Note 6 (18)(23), 7 & 14)**	$	13,942,969	100	12,764,171	100
5000	**Cost of sales** (Note 6(6),(9),(10),(11),(12),(16),(18).(19).(24) 7&12)		(11,800,941)	(85)	(10,913,994)	(86)
	Gross Profit		2,142,028	15	1,850,177	14
	Operating expenses: (Note 6 (4),(8),(9),(10),(13),(14),(15)(16)(21),7&12):					
6100	Marketing expenses		(880,320)	(6)	(594,831)	(4)
6200	General and administrative expenses		(221,548)	(2)	(223,401)	(2)
6300	Research and development expenses		(686,303)	(5)	(640,989)	(5)
6400	Other operating expenses		-	-	48,673	-
	Total operating expenses		(1,788,171)	(13)	(1,410,548)	(11)
	Operating income		353,857	2	439,629	3
	Non-operating income and loss (Note 6 (7),(13),(22)&7):					
7010	Other income		38,577	-	66,444	1
7020	Other gains and losses – net		(33,528)	-	(99,611)	(1)
7050	Finance costs		(81,957)	(1)	(72,577)	-
7370	Share of Profit of Associate Accounted for Using Equity Method		57,544	1	38,409	-
			(19,364)	-	(67,335)	-
	Income (loss) Before income tax		334,493	2	372,294	3
7950	**Less: income tax expense** (Note 6(19)(21))		(77,753)	-	(46,920)	-
	Net Income (loss)		256,740	2	325,374	3
	Other comprehensive income:					
8310	**Items that will not be reclassifies to profit or loss (Note 6(16)(18))**					
8311	Remeasurement of defined benefit obligations		(3,859)	-	(2,094)	-
8316	Unrealized gain on equity instrument investment measured at fair value through other comprehensive income		22,832	-	-	-
8349	Income tax related to components of items not to be reclassified		-	-	-	-
			18,973	-	(2,094)	-
8360	**Items that may be reclassified subsequently to profit or loss** (Note 6(7)(21))					
8361	Exchange differences on translating the financial statements of foreign operations		(57,835)	-	(42,448)	(1)
8370	Share of Profit of Associates Accounted for Using Equity Method		(225)	-	(313)	-
8399	Income tax related to components of items may be reclassified		-	-	-	-
			(58,060)	-	(42,761)	(1)
	Other comprehensive income (loss), net of tax		(39,087)	-	(44,855)	(1)
8500	**Total comprehensive income (loss)**	$	**217,653**	**2**	**280,519**	**2**
	The net profit (loss) belongs to:					
8610	Stockholders of the Company	$	257,124	2	328,579	3
8620	Non-controlling Interest		(384)	-	(3,205)	-
		$	**256,740**	**2**	**325,374**	**3**
	Total comprehensive profit or loss belongs to:					
8710	Stockholders of the Company	$	217,948	2	283,681	2
8720	Non-controlling Interest		(295)	-	(3,162)	-
		$	**217,653**	**2**	**280,519**	**2**
	Earnings per share (expressed in New Taiwan dollars, Note 6(21))					
9750	**Basic earnings per share**	$	**0.80**		**1.02**	
9850	**Diluted earnings per share**	$	**0.80**		**1.02**	

See accompanying notes to the consolidated financial statements

BENQ MATERIALS CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
December 31, 2019 and 2018

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

	Equity attributable to owners of the parent											
			Retained Earnings			Other Equity Interest						
	Common shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Subtotal	Exchange differences on translation of foreign financial statements	Unrealized gains (lossess) from financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Subtotal	Total equity attributable to stockholders of the Company	Non-controlling interest	Total equity
For the year ended January 1, 2018	$ 3,206,745	2,723	166,582	704,580	871,162	64,015	-	(13,837)	50,178	4,130,808	-	4,130,808
Adjustments on initial application of new standards	-	-	-	(30)	(30)	-	-	-	-	(30)	-	(30)
Adjusted balance at January 1, 2018	$ 3,206,745	2,723	166,582	704,550	871,132	64,015	-	(13,837)	50,178	4,130,778	-	4,130,778
Appropriations of earnings												
Legal reverse	-	-	52,513	(52.513)	-	-	-	-	-	-	-	-
Cash Dividends	-	-	-	(288,607)	(288,607)	-	-	-	-	(288,607)	-	(288,607)
Changes in other capital surplus:												
Changes in joint ventures accounted for under equity method	-	10	-	-	-	-	-	-	-	10	-	10
The difference between the actual acquired equity price and the carrying value of the subsidiary	-	1	-	-	-	-	-	-	-	1	(138)	(137)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	61,452	61,452
Consolidated net price (loss)	-	-	-	328,579	328,579	-	-	-	-	328,579	(3,205)	325,374
Other comprehensive income (loss)	-	-	-	-	-	(42,731)	-	(2,167)	(44,898)	(44,898)	43	(44,855)
Total comprehensive income (loss)	-	-	-	328,579	328,579	(42,731)	-	(2,167)	(44,898)	283,681	(3,162)	280,519
For the year ended December 31,2018	3,206,745	2,734	219,095	692,009	911,104	21,284	-	(16,004)	5,280	4,125,863	58,152	4,184,015
Adjustments on initial application of new standards	-	-	-	(19,779)	(19,779)	-	-	-	-	(19,779)	(117)	(19,896)
Adjusted balance at January 1, 2019	3,206,745	2,734	219,095	672,230	891,325	21,284	-	(16,004)	5,280	4,106,084	58,035	4,164,119
Appropriations of earnings,												
Legal reverse	-	-	32,858	(32,858)	-	-	-	-	-	-	-	-
Cash Dividends	-	-	-	(192,405)	(192,405)	-	-	-	-	(192,405)	-	(192,405)
Changes in other capital surplus:												
Change in joint ventures accounted for under equity method.	-	2,885	-	-	-	-	-	-	-	2,885	-	2,885
The difference between the actual acquired equity price and the carrying value of the subsidiary	-	(1)	-	(3,543)	(3,543)	-	-	-	-	(3,544)	(57,740)	(61,284)
Consolidated net prices	-	-	-	257,124	257,124	-	-	-	-	257,124	(384)	256,740
Other comprehensive income(loss)	-	-	-	-	-	(58,149)	22,832	(3,859)	(39,176)	(39,176)	89	(39,087)
Total comprehensive income (loss)	-	-	-	257,124	257,124	(58,149)	22,832	(3,859)	(39,176)	217,948	(295)	217,653
Balance at December 31, 2019	**$ 3,206,745**	**5,618**	**251,953**	**700,548**	**952,501**	**(36,865)**	**22,832**	**(19,863)**	**(33,896)**	**4,130,968**	**-**	**4,130,968**

See accompanying notes to the consolidated financial statement.

BENQ MATERIALS CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
December 31, 2019 and 2018

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

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 334,493	372,294
Adjustments for:		
Depreciation	646,025	495,967
Amortization	29,091	39,542
Expected credit impairment losses and reversal gains	(630)	(1,235)
Loss on financial instruments at fair value through profit or loss	11,125	4,436
Interest expense	81,957	72,577
Interest income	(1,575)	(1,231)
Share of profit of associates and joint ventures accounted for using equity method	(57,544)	(38,409)
Gains (loss) on disposals of property plant and equipment	(276)	1,087
Expense transferred from amortized other non-current assets	108,281	76,008
Amortization of syndication commission cost	1,900	6,019
Bargain purchase gains	-	(253)
Subtotal of income and expense (loss) items	818,354	654,508
Changes in operating assets and liabilities:		
Changes in operating assets:		
- increase in notes and accounts receivable	(155,639)	(677,517)
- decrease in accounts receivables from related parties	525,806	1,213,962
- decrease in other accounts receivables	5,718	57,737
- decrease in other accounts receivables from related parties	114	576
- increase in inventories	(32,849)	(124,705)
- increase (decrease) in current assets	(9,576)	41,599
- increase (decrease) in other current assets	(1,690)	1,062
Subtotal of changes in operating assets	331,884	512,714
Changes in operating liabilities:		
- increase (decrease) in accounts payable	(302,593)	594,520
- increase (decrease) in accounts payable from related parties	(18,815)	27,886
- increase (decrease) in other accounts payable	27,452	92,770
- increase in other accounts payable from related parties	2,752	9,899
- decrease in current provisions	-	(48,694)
- increase in other current liability	48,144	(2,028)
- decrease in defined provisions for benefits	(1,983)	(1,553)
Subtotal of changes in operating liabilities	(245,043)	672,800
Subtotal of changes in operating assets and liabilities	86,841	1,185,514
Subtotal of adjustment items	905,195	1,840,022
Cash generated from operation	1,239,688	2,212,316
Cash received from interest income	1,575	1,234
Cash paid for interest	(81,671)	(72,932)
(Payment) Refunded Income tax	(27,817)	(6,834)
Net cash provided by operating activities	1,131,775	2,133,784

(Continued)

See accompanying notes to the consolidated financial statements

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

December 31, 2019 and 2018

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

	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(78,400)	-
Net cash obtained acquisition of deducted subsidiary	-	(378,645)
Acquisitions of property, plant and equipment	(484,064)	(456,006)
Disposals of property plant and equipment	1,974	3,329
Decrease in refundable deposits	4,668	16,252
Increase in intangible assets	(34,598)	(19,847)
Decrease in other financial assets	1,205	78,262
Increase in other non-current assets	(130,930)	(106,498)
Dividends received	1,997	-
Net cash used in investing activities	(718,148)	(863,153)
Cash flows from financing activities:		
Decrease (increase) in short-term borrowings	6,800	(1,094,233)
Proceeds from long-term debt	333,000	2,228,138
Repayments of long-term debt	(390,221)	(2,182,714)
Reduced deposits received	(647)	(876)
Repayments of lease liabilities	(99,261)	-
Purchase subsidiary from non-controlling interests	(59,614)	(137)
Payment of cash dividends	(192,405)	(288,607)
Net cash flows from financing activities	(402,348)	(1,338,429)
Effect of change rate changes on cash and cash equivalents	15,962	(38,887)
Net decrease (increase) in cash and cash equivalents	27,241	(106,685)
Cash and cash equivalents at beginning of period	169,013	275,698
Cash and cash equivalents at end of period	**$ 196,254**	**169,013**

See accompanying notes to the consolidated financial statements

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

1. Organization and business

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

2. Approval of financial statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors of BenQ on February 25, 2020.

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

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

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

New, Amended and Revised Standards, and Interpretations	Effective Date Issued by IASB
International Financial Reporting Standards16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

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

A. International Financial Reporting Standards 16 "Leases"

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

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

a. Definition of a lease

A contract on the commencement date, whether a lease (or inclusive), which has been identified as a lease by the Company based on the previous adoption of IFRIC 4 is subject to IFRS 16, as explained in Note 4(12).

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

b. As a lessee

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

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

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

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

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

c. As a lessor

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

d. Impacts on financial statements

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

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

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

(2). Effect to IFRSs as endorsed by the FSC but not yet adopted by the Group.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1,2020 in accordance with Ruling No.1080323028 issued by the FSC on July 29,2019.

New, Revised or Amended Standards and Interpretations	Effective Date Per IASB
Amendments to IFRS 3, "Definition of a business"	January 1, 2020
Amendments to IFRS 9, IFRS 39 and IFRS 7" Interest rate benchmark reform"	January 1, 2020
Amendments to IAS 1 and IAS 8, "Disclosure Initiative-Definition of Material"	January 1, 2020

The company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its financial statement.

(3). New IFRSs in issues but not yet endorsed and issued into effect by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective Date Per IASB
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by IASB
IFRS 17, "Insurance contracts"	January 1, 2021
Amendments to IAS 1, "Liabilities as current or non-current"	January 1, 2022

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

Release Dates	Standards or Interpretations	Content of amendment
January 23, 2020	Amendments to IAS 1 "Liabilities as current or non-current"	The amendments are to improve the consistency of the application standard to assist companies in determining whether debts or other liabilities with uncertain settlement dates should be classifies as current (or those may expired in one year) or non-current. The amendments are also clarifying the classification requirements for debts that companies may convert to equity.

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

4. Summary of Significant Accounting Policies:

The principle accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the international financial reporting standards, international accounting standards, interpretation and interpretation announcement (the "International Financial Reporting Standards").

(2) Basis of consolidation

A. Basis of evaluation

Except for the following item of balance sheets, these independent financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets measured at fair value.

(c) Net defined benefit liability are measured by the present value of defined benefit obligation, and deducting the net basis after retirement fund fair value and by measuring the impact of the upper limit described in note 4 (17).

B. Functional currency and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars (NTD) thousands", which is the Company's functional and presentation currency.

(3) Base of consolidation

A. Basis for preparation of consolidated financial statements

All subsidiaries are included in the Group's consolidated financial statements, and the companies are all entities (including subsidiaries) controlled by the Group. The company controls an entity when the group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

It began to include its financial report in the consolidated financial report until the date of loss of control from the date of obtaining control of the subsidiary. The transactions, balances and any unrealized gains and losses within the merged company have been eliminated when preparing the consolidated financial report. The total consolidated profit and loss of the subsidiary is attributed to the company's owners and non-controlling interests, even if the non-controlling interests become loss balance.

The financial report of subsidiary has been adjusted appropriately so that its accounting policies are consistent with those used by the merged company.

The change in the merger company's ownership interest in the subsidiary, which does not result in the loss of control of the subsidiary company, and it is treated as an equity transaction with the owner. The difference between the adjustment of the non-controlling equity and the fair value of the consideration paid or received is directly recognized in equity and attributed to the owner of the company.

B. Subsidiaries included in the consolidated financial statements:

			Ownership %		
Investor	**Subsidiary**	**Main Business Activities**	**2019.12.31**	**2018.12.31**	**Note**
BenQ Material	BenQ Materials (L) Co. (BMLB)	Holding Company	100.00	100.00	-
BenQ Material	Sigma Medical Supplies Corporation(Sigma)	Manufacture and sales of medical consumables and equipment	100.00	89.06	(Note 1)
BMLB	BenQ Material Co. Ltd. (BMS)	Manufacture of optoelectronics	100.00	100.00	-
BMLB	Daxon Biomedical Suzhou) Co. Ltd. (DTB)	Sales and services of medical consumables and equipment and optoelectronics	100.00	100.00	-
BMLB	BenQ Material (Wuhu) Co. Ltd	Manufacture and sales of optoelectronic	100.00	100.00	-
BMLB	BenQ Material Medical (Suzhou) Corporation (BMM)	Manufacture and sales of medical consumables and equipment	100.00	-	(Note 2)
Sigma	Suzhou Sigma Medical Supplies Corp.	Manufacture and sales of medical consumables and equipment	100.00	100.00	(Note 1)

(Note 1): The company acquired its equity on July 24, 2007 and has control capabilities. From that date, it will be incorporated into the consolidated financial report preparation entity.

(Note 2): It is a newly established subsidiary company on July 8th, 2019.

C. Subsidiaries not included in the consolidated financial statements: None.

(4) Foreign currency

A. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign currency non-monetary items measured at fair value are converted into functional currencies at the exchange rate on the date when the fair value was measured, and foreign currency non-monetary items are measured at historical cost.

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

B. Translation of foreign operations

Assets and liabilities of foreign operation, including the goodwill at the time of acquisition and fair value adjustments, are converted into the expression currency of the individual's financial report based on the exchange rate at the reporting date; the income and expense items are converted into the expression currency of the individual reported based on the average exchange rate of the current period, and the conversion differences arising are recognized as other comprehensive profit or loss.

When the disposal of a foreign operation results in loss of control or significant impact, the cumulative exchange difference related to that foreign operating agency is fully reclassified as profit or loss. When the partial disposal including the subsidiaries of foreign operation, the relevant accumulated conversion difference is re-attributable to non-controlling interested in proportion. When the disposal part contains the joint ventures investments of foreign operation institution, the relevant cumulative conversion difference is reclassified to profit or loss on a percentage.

For monetary receivable or payables of foreign operation, if there is no settlement plan and there is no foreseeable future to pay off, the foreign currency exchange profit or losses are considerate as a part of net investment to the foreign operation and recognized as other comprehensive income.

(5) Classification of current and non-current items

Assets that meet on of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed as non-current assets:
B. Assets held mainly for trading purposing;
C. Assets that are expected to be realized within 12 months from the end of the financial reporting period;
D. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the financial reporting period.

Liabilities that meet one of the following criteria are classified as current liabilities:

D. Liabilities that are expected to be settled within the normal operating cycle;
E. Liabilities arising mainly from trading activities;
F. Liabilities that are to be settle within twelve months from the balance sheet date;

(6) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. Cash equivalents
Cash equivalents refer to short-term, highly liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial instrument

Accounts receivables and debt securities issued were originally recognized when incurred. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL ar recognized immediately in profit or loss.

A. Financial assets

At initial recognition, financial assets have divided into: financial assets at amortized costs, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. On a regular way purchase or sales basis, or financial assets, which are recognized and derecognized using trade date accounting

The company reclassifies all affected financial assets only from the first day of the next reporting period when changing the business model for managing financial assets.

(a) Financial assets at amortized cost

When the financial assets meet the following criteria and that are not measure at fair value through profit or loss:

- The objective of the Group's business model is achieved by collecting contractual cash flows.
- The assets' contractual cash flow represent solely payment of principal and interest.

Subsequent to the initial recognition of these assets, the effective interest rate method is adopted to measure the amortized cost less impairment losses. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit or loss. When delisting, include benefits or losses in profit or loss.

(b) Financial assets at fair value through other comprehensive income

When the debt instrument investment meets the following criteria and is not measure at fair value through profit or loss, it is measured at fair value through other comprehensive profit or loss:

- The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- The assets' contractual cash flows represent solely payment of principle and interest.

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments.

Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Investors who are equity instruments are subsequently measured at fair value. Dividend income (unless it clearly represents a recovery of part of the investment cost) is recognized in profit or loss. The remaining net profit or loss is recognized as other comprehensive profit or loss. When it is removed, the other comprehensive profit or loss accumulated under equity is reclassified to retained earnings and not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date the company is entitled to receive dividends (usually the ex-dividend date).

(c) Fair value through profit or loss financial assets

Financial assets those are neither measured at amortized cost or financial assets measured at fair value through other comprehensive profit or loss, which is through fair value through profit or loss, including derivative financial assets. The company in the initial recognition, in order to eliminate or reduce the improper accounting ratio, the financial assets that meet the conditions measured at amortized cost or measured at fair value through other comprehensive profit or loss may be irrevocably designate as fair value through profit or loss. Financial assets measured by value.

These assets are subsequently measured at fair value, and the net profit or losses (including any dividends and interest income) generated are then recognized as profit or loss.

(d) Evaluate whether the contract cash flows are fully interested paid on principle and outstanding principle

According to the evaluation purpose, the principal is the fair value of the financial asset at the time of original recognition, and the interest is composed of the following considerations: the time value of money, credit risk related to the amount of principal outstanding in a certain period, other basic lending risk and cost, and profit margin.

Evaluate the contract cash flow is entirely the interested paid on the principal and outstanding principal amount. The company considers the contractual terms of the financial instrument, including assessing whether the financial asset contains a contractual term that can change the item or amount of the contractual cash flow, which cause it to fail. The company considers as below when evaluated:

- Any contingency that will change the time or amount of contractual cash flows;
- Possible to adjust the terms of contract coupon rate, including the characteristics of changing interest rates;
- Early repayment and extension feature; and
- The company's claim is limited to the terms derived from the cash flow of specific assets (such as the non-resource feature)

(e) Impairment of financial assets

The Company's financial assets measured at amortize costs (including cash and cash equivalent, noted receivable and accounts receivable, other receivables, refundable deposits and other financial assets) and credit losses are recognized as allowance losses.

The following financial assets are measure as allowance based on the twelve-month expected credit losses amount, and the rest are measured based on the expected credit loss amount during the lifetime:

・The credit risk of bank deposits (the risk of a default occurring during the expected duration of financial instrument) has not increased significantly since its original recognition.

Allowance losses on accounts receivables are measured based on the expected credit losses during the lifetime.

Lifetime expected credit losses refers to expected credit losses from all possible defaults of the financial instrument lifetime.

Twelve Month expected credit losses refers to the expected credit loss arising from a possible default of a financial instrument within twelve months after the reporting date (or a shorter period if the financial instrument lifetime is shorter than twelve months).

The longest period for measuring expected credit losses is the longest contract period during which the Company is exposed to credit risk.

When determining whether credit risk has increased significantly since the original recognition, the company considers reasonable and evidence-based information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and based on the company's historical experience, analysis of credit assessments and forward-looking information.

Expected credit losses are weighted estimates of the probability of credit losses during the expected life of a financial instrument. Credit losses are measured at the present value of all short-term cash receipts, which is the difference between the cash flows that the company can receive under the contract and the cash flows that the company expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

Allowance losses for financial assets measured at amortized cost are deducted from the carrying amount of the asset.

When the company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total book value of its financial assets. The company analyzes the timing and amounts of write-offs individually on the basis of whether it is reasonably expected to be recoverable. The company expects that the written-off amount will not be materially reversed. However, the written off financial assets can still be enforced to comply with the company's procedures for recovering overdue amounts.

(f) Derecognition of financial assets

The financial asset is derecognized when the company terminates the contractual rights from the cash flow of the asset, or the financial asset has been transferred and the most of the risks and returns of the asset have been transferred to other enterprises, or the ownership neither transferred nor maintained the risks and returns and the control.

The company signs the transaction of transferring financial assets. If it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized in the balance sheet.

B. Financial liabilities and equity instruments

(a) Classification of liabilities or equity

The company issued debt and equity instruments define the substance of the Department of contractual agreements with financial liabilities and equity instruments based on the classification as a financial liability or equity. An equity instrument is any contract that recognizes the company's assets after deducting all liabilities from its remaining equity. Equity instruments issued by the Company are recognized at the amount obtained after deducting direct issue costs.

(b) Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and related net benefits and losses, including any interest expenses, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and conversion gains and losses are recognized in profit or loss. Any benefits or losses at the time of delisting are also recognized in profit or loss.

(c) Derecognition of financial liabilities

The company excludes financial liabilities when contractual obligations have been fulfilled, cancelled or expired. 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 are excluded, and new financial liabilities are recognized at fair value based on the revised terms. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(d) Offsetting financial instruments

Financial assets and financial liabilities can only be offset and expressed on the balance sheet when the company currently has legally enforceable rights to offset each other and intends to deliver the net amount or to realize assets and settle liabilities simultaneously.

C. Derivative financial instruments

The company holds derivative financial instruments in order to avoid the risk of foreign currency exchange rate risks. Derivative instruments are initially recognized at fair value, and transaction costs are recognized as profit or loss; subsequent measurement is based on fair value, and the benefits or losses arising from remeasurement are directly included in profit or loss. When the fair value of a derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

(8) Inventories

Inventories are measured item by item at the lower of cost and net realizable value. Cost includes the acquisition, production or processing costs and other costs incurred to bring it to a place and condition that can be used and is calculated using the weighted average method. Among them, fixed manufacturing costs are allocated to finished products and work-in-progress based on the normal production capacity of the production equipment or the higher of the actual output, and variable manufacturing costs are allocated on the basis of actual production. Net realizable value refers to the balance of the estimated selling price under normal operations less the estimated costs to be completed after completion and the selling expenses required to complete the sale.

(9) Investments in associates and joint ventures

Joint ventures mean the company has significant influence on its financial and operating policies, except a controlling or joint controller.

The joint venture's investment of the company is to generate as the equity method. Under the equity method, the original acquisition is recognized at cost, and the investment cost includes the cost of the transaction. The carrying amount of the joint ventures includes the goodwill identified at the time of the original investment, less any accumulated impairment losses. When the company assesses impairment, it considers the entire carrying amount (including goodwill) of the investment as a single asset, compares the recoverable amount with the carrying amount, and conducts an impairment test. The identified impairment loss is used as a reduction in the carrying amount of the investment. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment subsequently increases.

From the date when the company has significant influence on the date when it loses significant influence, after adjusting for consistency with the company's accounting policies, the amount of profit or loss and other comprehensive profit or loss of each investment related company is recognized according to the equity ratio. When the related company's equity changes in non-profit or loss and other comprehensive profits and losses do not affect the company's shareholding ratio, the company would recognize all changes in equity as capital reserve based on the shareholding ratio.

Unrealized benefits and losses arising from exchanges between the Company and joint ventures are recognized in the financial statements only within the scope of non-relevant investors to joint ventures.

When the company should recognize the loss share of the joint ventures in proportion to or exceeds its equity in the joint ventures, it will stop recognizing its loss, and only in the event of statutory obligations, deductions or payments on behalf of the investee company.

When an joint ventures issue new shares, if the company does not subscribe according to the shareholding ratio, which causes the shareholding ratio to change and thereby increase or decrease the net equity of the investment, its increase or decrease adjusts the capital reserve and the investment using the equity method; If the adjustment is a reduction of capital reserve, but the balance of capital reserve generated by an investment using the equity method is insufficient, the difference is debited to retained earnings. However, if the company does not subscribe according to the shareholding ratio, which reduces its ownership interest in the related company, the amount previously recognized in other comprehensive profit and loss related to the related company is reclassified in accordance with the reduction ratio, and the basis of accounting is the same as that required for related companies to directly dispose of related assets or liabilities.

(10) Investment Property

Investment Property refers to real estate for rent or asset appreciation or include in both. Investment property is initially measured by cost, and subsequently measured by cost minus accumulated depreciation and accumulated impairment. The depreciation method, durability and residual value are compared with the real estate, plant and equipment. Cost includes directly attributes of the investment property fee and any directly attributable cost and borrowing capitalization costs to bring the investment property into a usable state.

Investment property disposal benefits or losses (calculated as the difference between the net disposal price and the carrying amount of the project) are recognized in profit or loss. The rental income of investment property is recognized on a straight-line basis during the lease period. In contrast to leasing incentives tied to the lease income recognized as an adjustment of the lease term.

When the use of investment property is changed and reclassified as real estate, plant and equipment, the carrying amount at the time of use change is used for reclassification.

(11) Property, plant and equipment

A. Recognition and measurement

Real estate, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.
When the major components of real estate, plant and equipment have different durability, they are treated as separate items (main components) of real estate, plant and equipment. Gains or losses on the disposal of real property, plant and equipment are recognized in profit or loss.

B. After cost

The after cost only be capitalized when the future economic benefit of after cost are likely to flow into the company.

C. Depreciation

Depreciation is calculated based on the cost of assets subtract residual value, and recognized as profit or loss over the estimated limit year by using straight-line method. Except the land does not need to be depreciated, the remaining estimated the durable year is: machinery and equipment, 3 to 10 years; other equipment, 2 to 10 years; and houses and buildings are depreciated based on the durable year; main building, 20 to 40 years; mechanical and electrical engineering and other projects, 10 to 20 years. Depreciation method, durability and residual value are reviewed at each reporting day, and the impact of any estimated change is postponed.

(12) Leases
Policy applicable from January 1, 2019

A. Identifying a lease

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

(a) The contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(b) The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

(c) The Company obtained an identified asset if either the following conditions is satisfied:

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

B. As a lessee

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

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

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

The lease payments are as follow:

(a) fixed payments;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

(a) if there is a change in future lease payments arising from a change in an index or a rate;
(b) if there is a change in the amounts expected to be payable under a residual value guarantee;
(c) if there is a change in the assessment of underlying asset purchase option;

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

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

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

C. As a lessor

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

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

Policy applicable from January 1, 2019

(a) As a lessor

Operating income under operating lease contract were recognized as expense on a straight-line basis. The initial direct costs incurred as a result of consensus and arrangement of operating leases are added to the carrying amount of the leased asst and recognized as an expense on a straight-line basis over the lease term.

(b) As a lessee

According to the lease conditions, when the company bears most ownership risks and rewards, it is classified as a finance lease. The leased asset is measured at the loser of the fair vale and the present value of the minimum lease payment, after treated in accordance with the accounting related to the asset.

Payments under operating lease contracts (exclude services costs such as insurance and maintenance) were recognized as expenses on a straight-line basis.

The minimum lease payments for finance leases are prorated to finance costs and reduce unliquidated liabilities. Finance cost are allocated to each lease period based on the balance of liabilities at a fixed period of interest. Or the lease payments should be recognized as current expenses when the lease adjustment is determined.

(13) Intangible assets

The intangible assets of the company is measured with the cost subtract accumulated amortization and accumulated impairment. The amortization amount is estimated on the durability year by using straight-line method, and the amortization amount is recognized in profit or loss: patent, 6.5 year; purchased software, 1 to 3 year; other intangible assets, 5 years.

The Company reviews the residual value, useful life and amortization method of intangible assets on each reporting day, and adjusts appropriately when necessary.

(14) Impairment of non-financial assets

A. Goodwill

Goodwill has to test on an impairment tests each year. When performing an impairment test, goodwill should be allocated to each cash-generating unit (or group of cash-generating units) to which the company expects to benefit from the consolidated synergy. An impairment is recognized when recoverable amount is lower than carrying amount. Impairment loss should not be reverse in the future. If the recoverable amount of the cash-generating unit is lower than it carrying amount, the recognized impairment loss is to reduce the proportion of the carry amount of assets in the units. Goodwill impairment losses are immediately recognized as current losses and cannot be reversed in subsequent periods.

B. Other tangible and intangible assets

The recoverable amounts are individual assets or the cash-generating units which is the value subtract the cost of sale and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, either the individual asset or the recoverable of cash-generating unit is lower than carrying amount, it would be adjusted into impairment loss. Impairment loss would be recognized as current profit or loss.

The company would re-evaluate any indication that the impairment loss recognized by non-financial assets except the goodwill in previous years no longer exists or has decreased at each reporting day. Then the impairment loss is reversed to increase the individual asset or cash-generating unit. The carrying amount is up to its recoverable amount, but it does not exceed the carrying amount after depreciation or amortization if the individual asset or cash-generating unit did not recognize the impairment loss in the previous year.

(15) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. The recognition of liability provisions is due to the current obligations of past events and making it likely the company will need to outflow economically efficient resources to settle the obligation, and the amount of the obligation can be estimated reliably.

Restructuring liabilities are recognized when the company approves a detailed and formal reorganization plan, and when the reorganization plan starts or is publicly released. Future operating losses shall not be recognized as a provision for liabilities.

(16) Revenue recognition

A. Revenue from contracts with customers

The company recognizes revenues when the control of the product is transferred. The control transfer of the product means that the product has been delivered to the customer and has not affected the customer's unfulfilled obligations to accept the product. 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.

Revenue is recognized based on the contract price subtract the estimated amounts of discounts and net discounts. The amounts of discounts and price is estimated at the expected value from the experienced accumulated, and it is probably that the revenue is recognized to no significant turnaround. As of the reporting date, the relevant amount of sales discount and allowance are expected to be paid to customer, which are recognized as refund liabilities (account for other current liabilities).

The company should recognize as the accounts receivable when the product is delivered, because the company has the right to receive the consideration unconditionally at that point in time.

B. Government grants

Government grant is only recognized when the company will comply with the conditions attached when it is reasonably certain, and it will be received the grant. If the government grant is used to compensate the expenses or loss, or for the purpose of providing immediate financial support to the company, then there are no future related costs, it is recognized in profit or loss during the period.

(17) Employee benefit

A. Defined contribution plans

The obligation to define the provision of a retirement plan is recognized as an employee benefit expense under profit or loss during the period that the employee provides services.\

B. Defined benefits plans

Determining the obligation under a defined benefit retirement plan is the discount value of future benefit amounts earned by employees for current or previous periods of service for each benefit plan, and the amount will be calculated which subtract any fair value of any plan assets. The discount rate is mainly based on the market yield of government bonds with maturity date, which is close to the obligation period of the company, and the denomination currency is the same as the excepted payment of welfare benefits.

The net obligation of a defined benefit plan is actuarially calculated by a qualified actuary using the projected unit benefit method each year.

When the benefits of the plan are improved, and the benefits are increased due to employees' past services, the related expenses are immediately recognized as profit or loss.

The remeasurement of net determined benefit liabilities (assets) includes (1) actuarial gains and losses; (2) planning asset returns, excluding the amount of net interest in defined benefit liabilities (assets); and (3) limit impact of asset in any change in the amount, excluding the amount of net interest which is included in the defined benefit liability (asset). The re-measurement of net defined benefit liabilities (assets) is recognized in other comprehensive profit or loss and recognized in other equity.

When a reduction or settlement occurs, the company recognizes the reduction or settlement gain or loss that defines the benefit plan. Reduced or settled gains and losses include changes in the fair value of any planned asset and changes in the present value of defined benefit obligations.

C. Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as an expense when the related services are provided. The amount expected to be paid under the short-term cash dividend or dividend plan is recognized as a liability if the company has a current statutory or constructive payment obligation due to past service provided by the employee, and the obligation can be estimated reliably.

(18) Income tax

Income tax includes current and deferred income tax. Except the corporation acquisition, recognized directly in equity or other comprehensive profit or loss, current income tax and deferred income tax should be recognized in profit or loss.

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

Deferred income tax is measured and recognized based on temporary differences in the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred income tax is not recognized as a temporary difference due to:

A. The transaction of non-business acquisition which is initial recognized as assets or liabilities, and it do not affect accounting profits and taxable income (loss);

B. Due to temporary differences arising from investments in subsidiaries, associated companies and joint venture interests, the company can control the point in time at which the temporary differences revert and it is likely that they will not revert in the foreseeable future; and

C. Taxable temporary differences arising from the original recognition of goodwill.

Deferred income tax is measured at the tax rate at the time when the expected temporary difference is reverted, using the statutory tax rate or substantial legislative tax rate at the reporting date, and has reflected income tax related uncertainties.

The company will only offset deferred income tax assets and deferred income tax liabilities only when the following conditions are simultaneously met:

A. Have statutory enforcement rights to offset current income tax assets and current income tax liabilities; and

B. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxable entities that are subject to income tax by the same tax authority:

(a) the same taxpayer; or

(b) Different taxpayers, but each entity intends to settle current income tax liabilities and assets on a net basis for each future period in which a significant amount of deferred income tax assets is expected to be recovered and deferred income tax liabilities are expected to be settled, or both assets and liquidation liabilities.

For the unused tax losses and unused income tax deductions at the later stage of the transfer, temporary differences from deductible are recognized as deferred income tax assets to the extent that it is likely that future taxable income will be available for use. It will be re-evaluated at each reporting date to reduce the relevant income tax benefits to the extent that it is not likely to be realized; or to reduce the original reduced amount to the extent that it is likely to have sufficient taxable income.

(19) Business combinations

The company uses the acquisition method to handle business mergers. Goodwill is the fair value of the consideration transferred based on the acquisition date, including the amount of any non-controlling interests attributable to the acquiree, net of identifiable assets acquired and liabilities assumed (general in fair value). If the balance after deduction is negative, the company will re-evaluate whether it has correctly identified all the assets acquired and all the liabilities assumed before it recognizes 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 a business combination should be recognized as expenses of the company immediately when incurred.

Among the non-controlling interests of the acquiree, if it is the current ownership interest, and its holders are entitled to enjoy the net assets of the enterprise in proportion to the shares at the time of liquidation, the company chooses the fair Value is measured by the current ownership instrument's proportionate share of the recognized amount of the acquiree's identifiable net assets. Other non-controlling interests are measured on the basis of their fair value at the acquisition date or on other basis as required by the International Financial Reporting 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 combined company shall recognize the incomplete accounting treatment items with a provisional amount and retrospectively adjust or recognize additional assets or liabilities during the measurement period. To reflect new information about facts and circumstances that existed on the acquisition date during the measurement period. The measurement period shall not exceed one year from the acquisition date.

(20) Earnings per share

The company presents the basic and diluted earnings per share attributable to the holders of ordinary shares of the company. Basic earnings per share is calculated by dividing the profit or loss attributable to the holders in the initial shares of the company by the weighted average number in the current period. Diluted earnings per share is calculated by adjusting the impact of all potential dilutive ordinary shares on the profit and loss and weighted average number of outstanding common shares to the common equity holders of the Company. The Company's potentially dilutive common stock is an option to remunerate employees.

(21) Segment information

The company has disclosed the department information in the consolidated financial report, so the individual financial report does not disclose the department information

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

The management team should make judgement, estimates and assumptions when preparing this individual financial report in accordance with the compilation standards, which will affect the adoption of accounting policies and the report amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

The management continued to review estimates and their underlying assumptions, changes in accounting estimates and changes to be recognized during the period of change and affected future periods.

Accounting policies involve significant judgment and of the individual financial statements have been recognized had a significant impact on the amount of information as follows:

(1) Judgement on whether the associated company has significant influence

The company holds less than 20% of the voting rights for Cenefom Corporation Limit and Visco Vision Inc., but the company has significant influence on it as the company's director and participates in decision-making.

For the uncertainty of assumptions and estimates, there are significant risks that may cause significant adjustments in the next year:

1. Evaluation of inventory

Since the inventory must be priced at the lower of cost and net realizable value, the company evaluates the amount of inventory on the reporting date due to substandard quality, outdated or no market value, and offsets the cost of inventory to the net realizable value. This inventory evaluation is mainly based on the product demand in a specific period in the future but may change significantly.

2. Impairment assessment of real estate, plant and equipment and intangible assets of subsidiaries

In the process of asset impairment evaluation, the company must rely on subjective judgments and determine the independent cash flow of a specific asset group, the number of years of asset durability, and the future income and expenses that may arise from any specific asset group.

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

		2019.12.31	2018.12.31
Revolving funds	$	397	678
Demand deposits and checking accounts		195,857	168,335
	$	196,254	169,013

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

		2019.12.31	2018.12.31
Financial assets mandatorily measured at fair value-current:			
Foreign currency forward contracts	$	2,173	14,691
Foreign exchange contracts		6,523	4,499
	$	8,696	19,190
Financial liabilities held for trading-current:			
Foreign currency forward contract	$	(1,991)	(1,360)

Refer to noted 6 (25) for the amounts of gain(loss) recognized related to financial asset measured at fair value.

A. Derivate financial instruments

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

(a) Foreign currency forward contracts

2019.12.31

Contract amount (in thousand)	Currency	Maturity date
USD$ 1,000	Sell USD /Buy RMB	2020.01.10
USD$ 33,000	Sell USD /Buy JPY	2020.01.22~2020.03.24
USD$ 9,000	Sell USD /Buy NTD	2020.01.14~2020.01.22

2018.12.31

Contract amount (in thousand)	Currency	Maturity date
USD$ 3,300	Sell USD /Buy RMB	2019.01.11
USD$ 44,500	Sell USD /Buy JPY	2019.01.24～2019.03.22
USD$ 6,000	Sell USD /Buy NTD	2019.01.24

(b) Foreign exchange contract

2019.12.31		
Contract amount	**Currency**	**Maturity date**
(in thousand)		
USD$ 43,000	Sell USD /Buy NTD	109.01.31

2018.12.31		
Contract amount	**Currency**	**Maturity date**
(in thousand)		
USD$ 43,000	Sell USD /Buy NTD	108.01.31

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

	2019.12.31	2018.12.31
Equity instruments measured at fair value through other comprehensive profit or loss:		
Domestic stocks company shares	$ 101,232	-

The equity investment held by the company is a strategic investment and is not held for trading purposes, so it has been designated to be measured at fair value through other comprehensive profit or loss.

The Company did not dispose of strategic investments in the year 2019. The accumulated benefits and losses during this period have not been transferred in equity.

(4) Notes and accounts receivable

	108.12.31	107.12.31
Notes receivable	$ 20,977	31,441
Accounts receivable	1,764,333	1,674,480
Less: loss allowance	(23,359)	(24,773)
	1,761,951	1,681,148
Accounts receivable from related parties	69,628	661,739
	$ 1,831,579	2,292,887

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

	2019.12.31		
	Carrying amount of accounts and note receivable	**Weighted average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 1,831,586	0.014%	258
Overdue 1~30 days	138	10.14%	14
Overdue 31~90 days	219	42.01%	92
Overdue above 91 days	22,995	100%	22,995
	$ 1,854,938		23,359

	2018.12.31		
	Carrying amount of accounts and note receivable	**Weighted average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 2,292,171	0.02%	450
Overdue 1~30 days	973	1.95%	19
Overdue 31~90 days	397	46.60%	185
Overdue above 91 days	24,119	100%	24,119
	$ 2,317,660		24,773

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

	2019	**2018**
Balance at beginning of the period (per IAS 39)	$ 24,773	20,092
Adjustment on initial application of IFRS 9	-	30
Balance at beginning of the period (per IFRS 9)	24,773	20,122
Gain on reversal of impairment loss	(630)	(1,235)
Exchange gains or losses	(784)	(456)
Effect of initial consolidation of subsidiaries	-	6,342
Balance at end of the period	$ 23,359	24,773

C. The Company signed a contract with the financial institution to sell certain accounts receivable without recourse. According to the contract, the Company does not have to bear the risk that the accounts receivable cannot be recovered, only needs to bear the losses caused by commercial disputes. Therefore, the contract met the condition of financial asset derecognition, details of the contract was as follows:

2019.12.31

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

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

(5) Other accounts receivable

	2019.12.31	2018.12.31
Other accounts receivable – factored accounts receivable, net of advance (Note 6(4)&7)	$ 226,576	134,805
Other accounts receivable- other	1,928	7,664
Other accounts receivable- related parties	164	278
	228,668	142,747
Less: loss allowance	-	-
	$ 228,668	142,747

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

(6) Inventories

	2019.12.31	2018.12.31
Raw materials	$ 742,877	857,688
Work in process	672,761	572,945
Finished goods	547,879	500,035
	$ 1,963,517	1,930,668

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

		2019	2018
Inventories sold	$	11,831,122	10,977,449
Allowance for inventories written down to net realizable value		(80,984)	(114,484)
	$	11,750,138	10,862,965

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

(7) Investments accounted for using equity method

		2019.12.31	2018.12.31
Joint ventures	$	201,712	143,505

A. Joint ventures

The joint ventures of the merged company adopting the equity method are individually insignificant, and their financial information is summarized as follows. This financial information is the amount included in the consolidated financial report:

	108.12.31	107.12.31
Total carrying amount of the interests of individual non-significant joint ventures	$ 201,712	143,505

		2019	2018
Share attributable to the merged company			
Net profit for the period	$	57,544	38,409
Other comprehensive income		(225)	(313)
Total comprehensive profit and loss	$	57,319	38,096

(8) Acquisition of subsidiary

A. Transfer disclosure

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

B. Identifiable net assets acquired in a business combination

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

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

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

C. Gain recognized in bargain purchase transaction

Gain recognized in bargain purchase transaction		
Transfer consideration-case	$	498,579
Add: non-controlling interest (Identifiable net assets at fair value measured by non-equity method)		61,452
Less: acquired identifiable net assets at fair value		(560,284)
Gain recognized in bargain purchase (refer to other gains and losses)	$	**(253)**

D. Prepared information on business results

From the acquisition date to December 31, 2018, the business results of SMS were merged into the consolidated statement of profit and loss of the merged company. The contributed operating income and net loss after tax were NT$274,507 thousand and (NT$32,981) thousand. If this acquisition date is occurred on January 1, 2018, the consolidated company's proposed operating income and after-tax net income for the year 2018 will be NT$13,214,409 thousand and NT$256,892 thousand respectively.

E. Changes in equities of subsidiaries

The Company acquired additional ordinary shares of SMS with cash of $38,889 thousand. As a result, the percentage of ownership in SMS was increased to 96.00% in the second quarter of 2019. For the purpose of aggregating the group's resources and improving operating efficiency, BenQ's board of directors approved on May 6, 2019, in accordance with Business Mergers and Acquisitions Act Ruling No. 30, to purchase SMS's ordinary shares at NT$14 per share held by the shareholders dissenting (as of December 31, 2019, cash of $20,725 thousand was paid, the residual amount of $1,670 thousand recognized in other accounts payable) on the share exchange transaction on June 17, 2019. As a result, BenQ acquired 100% shareholdings of SMS.

In the second half of 2018, the Company acquired additional ordinary shares of SMS with cash of $137 thousand, as a result, the percentage of ownership in SMS was increased to 89.06%.

(9) Property, plant and equipment

	Land	Buildings	Machinery	Others	Total
Cost:					
Balance at January 1, 2019	$ 1,477,219	3,128,759	5,594,506	1,882,875	12,083,359
Additions	-	13,400	81,530	466,980	561,910
Disposals	-	(1,762)	(37,405)	(25,257)	(64,424)
Reclassification and effect of exchange	-	(25,260)	141,503	(209,051)	(92,808)
Balance at December 31, 2019	$ 1,477,219	3,115,137	5,780,134	2,115,547	12,488,037
Balance at January 1, 2019	$ 1,344,108	3,823,777	4,918,691	2,131,612	12,218,188
Acquisition of joint ventures (Note6(8))	133,111	24,329	288,922	34,123	480,485
Additions	-	63,775	101,564	293,734	459,073
Disposals	-	-	(37,037)	(22,539)	(59,576)
Transfer to investment property (Note6(11))	-	(930,215)	-	-	(930,215)
Reclassification and effect of exchange	-	147,093	322,366	(554,055)	(84,596)
Balance at December 31, 2019	$ 1,477,219	3,128,759	5,594,506	1,882,875	12,083,359
Accumulated depreciation					
Balance at January 1, 2019	$ -	1,672,239	4,659,081	1,420,306	7,751,626
Depreciation	-	120,250	245,331	139,351	504,932
Disposals	-	(1,669)	(37,076)	(23,981)	(62,726)
Reclassification and effect of exchange	-	(19,759)	(39,269)	(4,040)	(63,068)
Balance at December 31, 2019	$ -	1,771,061	4,828,067	1,531,636	8,130,764
Balance at January 1, 2018	$ -	1,943,354	4,410,512	1,278,306	7,632,172
Acquisition of joint ventures (Note6(8))	-	10,440	93,482	16,003	119,925
Depreciation	-	111,771	200,903	139,881	452,555
Disposals	-	-	(33,843)	(21,317)	(55,160)
Transfer to investment property (Note6(11))	-	(382,181)	-	-	(382,181)
Reclassification and effect of exchange	-	(11,145)	(11,973)	7,433	(15,685)
Balance at December 31, 2018	$ -	1,672,239	4,659,081	1,420,306	7,751,626
Carrying amount					
December 31, 2019	$ 1,477,219	1,344,076	952,067	583,911	4,357,273
December 31, 2018	$ 1,477,219	1,456,520	935,425	462,569	4,331,733
Balance at January 1, 2019	$ 1,344,108	1,880,423	508,179	853,306	4,586,016

Since January 2018, part of plant in Suzhou industrial park has been used by emerged company to plan as rental purpose as investment property, and has listed the relevant income and expense as operating income and operating costs since January 1, 2018.

For details of real estate, plant and equipment that have been used as long-term loans and financing line guarantees, please refer Note 8.

(10) Right-of-use assets

	Land use right	Buildings and architectures	Total
Cost of right-of-use assets:			
Balance at January 1, 2019	$ -	-	-
Adjustment on initial application of IFRS 16	65,183	454,371	519,554
Balance at January 1, 2019- restatement	65,183	454,371	519,554
Additions	-	10,664	10,664
Effects of exchange rate changes	(2,300)	-	(2,300)
Balance at December 31, 2019	$ 62,883	465,035	527,918
Accumulated depreciation- right-of-use assets			
Balance at January 1, 2019	$ -	-	-
Adjustment on initial application of IFRS 16	11,478	112,782	124,260
Balance at January 1, 2019- restatement	11,478	112,782	124,260
Additions	1,332	96,208	97,540
Effects of exchange rate changes	(454)	-	(454)
Balance at December 31, 2019	$ 12,356	208,990	221,346
Carrying amounts			
December 31, 2019	$ 50,527	256,045	306,572

On December 31, 2018, the categories of land use rights assets were reported as long-term prepaid rent.

(11) Investment property

	Land use right	Buildings and architectures	Total
Cost:			
Balance at January 1, 2019	$ 909,777	-	909,777
Adjustment on initial application of IFRS 16	-	69,667	69,667
Balance at January 1, 2019- restatement	909,777	69,667	979,444
Effects of exchange rate changes	(32,092)	(2,458)	(34,550)
Balance at December 31, 2019	$ 877,685	67,209	944,894
Balance at January 1, 2018	$ -	-	-
Fixed assets transfer	930,215	-	930,215
Effects of exchange rate changes	(20,438)	-	(20,438)
Balance at December 31, 2018	$ 909,777	-	909,777

	Land use right	Buildings and architectures	Total
Accumulated depreciation:			
Balance at January 1, 2019	$ 416,397	-	416,397
Adjustment on initial application of IFRS 16	-	17,908	17,908
Balance at January 1, 2019- restatement	416,397	17,908	434,305
Current depreciation	42,118	1,435	43,553
Effects of exchange rate changes	(16,243)	(685)	(16,928)
Balance at December 31, 2019	$ 442,272	18,658	460,930
Balance at January 1, 2018	$ -	-	-
Current year depreciation	43,412	-	43,412
Fixed assets transfer	382,181	-	382,181
Effects of exchange rate changes	(9,196)	-	(9,196)
Balance at December 31, 2018	$ 416,397	-	416,397
Carrying amount:			
December 31, 2019	$ 435,413	48,551	483,964
December 31, 2018	$ 493,380	-	493,380
January 1, 2018	$ -	-	-

The investment property of merged company is an industrial plant that is leased to others for use. The fair value of the investment property (including land use rights, the long-term prepaid rent was NT$ 51,759 thousand on December 31,2018) is evaluated based on market evidence of similar real estate transaction prices in the same region. The input value used by the fair value evaluation technology is refer as the third value.

There is no significant difference between the fair value of the investment property of the merged company and the information disclosed in Note 6(9) of the year 2018 consolidated financial report.

(12) Intangible assets

		Patented technology	Outsourcing software	Others	Total
Cost:					
Balance at January 1, 2019	$	51,046	152,669	8,525	212,240
Additions		-	34,598	-	34,598
Less for the period (note)		-	-	(7,002)	(7,002)
Reclassification and effect of exchange		(1,012)	12	(35)	(1,035)
Balance at December 31, 2019	$	**50,034**	**187,279**	**1,488**	**238,801**
Balance at January 1, 2018	$	49,592	129,125	8,549	187,266
Acquisition of joint ventures (Note6(8))		-	707	-	707
Obtained separately		-	19,847	-	19,847
Reclassification and effect of exchange		1,454	2,990	(24)	4,420
Balance at December 31, 2018	$	**51,046**	**152,669**	**8,525**	**212,240**
Accumulated amortization:					
Balance at January 1, 2019	$	21,624	141,533	4,420	167,577
Amortization		7,904	22,865	(1,678)	29,091
Less for the period (note)		-	-	(1,752)	(1,752)
Reclassification and effect of exchange		(625)	(46)	(22)	(693)
Balance at December 31, 2019	$	**28,903**	**164,352**	**968**	**194,223**
Balance at January 1, 2018	$	13,369	121,022	2,720	137,111
Acquisition of joint ventures (Note6(8))		-	412	-	412
Amortization		7,690	18,490	1,709	27,889
Reclassification and effect of exchange		565	1,609	(9)	2,165
Balance at December 31, 2018	$	**21,624**	**141,533**	**4,420**	**167,577**
Carrying amounts:					
Balance at December 31, 2019	$	**21,131**	**22,927**	**520**	**44,578**
Balance at December 31,2018	$	**29,422**	**11,136**	**4,105**	**44,663**
Balance at January 1, 2018	$	**36,223**	**8,103**	**5,829**	**50,155**

(Note): The relevant other accounts payable is written off.

(13) Long-term prepaid rent

Long-term prepaid rent is the merged company signed a contract with the Land and resource bureau of Mainland China to obtain the land use rights for Suzhou Industrial Park and the Gejiang district high-tech industrial development zone in Wuhu city for the construction of the plant, and the use period is from year 2005 to year 2055 and year 2012 to year 2062. These amounts were transferred to right-of-use assets when IFRS 16 was first applied on January 1, 2019.

(14) Short-term borrowing

		108.12.31	107.12.31
Unsecured bank loans	$	**56,800**	**50,000**
Unused credit facility	$	**8,844,183**	**6,833,360**
Interest rate range		**1.44%~1.60%**	**1.44%**

(15) Long-term borrowing

	2019.12.31	2018.12.31
Secured bank loan	$ 1,993,000	2,050,221
Less: part due within one year	-	(22,070)
Total	$ 1,993,000	2,028,151
Unused credit facility	$ 1,407,000	1,300,000
Maturity year	2020-2023	2019~2023
Interest rate range	1.43%~1.79%	1.43%-1.79%

A. Collateral for bank borrowing

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

B. Compliance with loan agreement

According to the syndicated loan agreement signed between the Company and the banks, the Company has promised to maintain certain ratios such as current ratio, liabilities ratio and minimum tangible net value based on the Company's annual audited consolidated financial statements. If the Company violates any of the related financial ratios, according to the syndicated loan agreement, the Company shall file an application for waiver and financial improvement plan to the managing bank. Failure to maintain the required financial ratios would not be considered a default unless a resolution is mad by most of the banks to refuse to grant a waiver to the Company. On December 31, 2018 and 2019, the Company's financial ratio was following the syndicated loan agreement.

(16) Lease Liabilities

The Company's lease liabilities are summarized as follow

	2019.12.31
Current:	
Related parties	$ 80,467
Non-related parties	$ 3,252
Non-current:	
Related parties	$ 181,602
Non-related parties	$ 7,567

Refer to note 6 (27) for the maturity analysis for lease liabilities.

Amounts recognized in profit and loss:

	2019
Expense of short-term lease	$ 7,099
Interest expense of lease liabilities	$ 5,817

Amount recognized in cash flows:

	2019
Total cash outflow of lease	$ 112,177

A. Lease of building

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

B. Other lease

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

(17) Provisions- current

	2019.12.31	2018.12.31
Balance at the beginning for the period	$ 1,000	93,456
Acquisition	-	1,000
Provisions made	-	2,476
Amount utilized	-	(47,259)
Amount reversed	-	(48,673)
Balance at the end for the period	$ 1,000	1,000

On September 1, 2016, for enhancing market competitiveness and reducing operating costs, the Company terminated certain production lines in Tainan Science-based Industrial Park and related lease contracts of the factory building, which resulted in a disagreement with the lessor. In the first quarter of 2018, the Company reached a settlement with the lessor. The Company recognized an adjustment of restructuring provision of $(48,673) thousand, in other operating expenses.

(18) Operating lease

A. Operating lease which the payable method is as follows:

	2018.12.31
Within a year	$ 100,941
One to five years	279,094
	$ 380,035

The company leases several factories under operating leases, and the lease period usually ranges from one to five years. The operating expense for operating lease was 77,941 thousand TWD in year 2018.

The lease of the plant is also signed with the lease of land and buildings. As the ownership of the land has not been transferred, the rent paid to the landlord of the building is regularly adjusted to market rent, and the company has not assumed the residual value of the building. It is determined that almost all risks and rewards of the building are borne by the landlord. Based on this, the company determined that the lease was an operating lease.

B. The merged company is the lessor

The merged company leases out its investment property. Since most of the risks and pays belonging to the ownership of the underlying assets have not been transferred, these lease contracts are classified as operating leases. Please refer to Note 6(11) Investment property for details.

The maturity analysis of the lease payment is shown in the following table by reporting the total amount of undiscounted lease payments received in the future:

		2019.12.31	2018.12.31
Less than a year	$	33,808	30,797
One to five years		53,428	53,428
Total undiscounted lease payments	$	**87,236**	**84,225**

The rental income generated from investment property in year 2019 and year 2018 was NT$ 67,508 thousand and NT$ 73,261 thousand, respectively, which are reported under operating income. Direct operating expense incurred by investment property (listed in "operating cost") are as follows:

		2019	2018
Those who generate rental income	$	**50,803**	**51,029**

(19) Employee benefits

A. Defined benefit plans

The company determines the adjustment of the present value of welfare obligations and the fair value of planned assets as follows：

		2019.12.31	2018.12.31
Determine the present value of the benefit obligation	$	49,556	49,467
Fair value of project assets		(40,988)	(41,213)
Net defined benefit liabilities (included in other non-current liabilities)	$	**8,568**	**8,254**

		2019.12.31	2018.12.31
Determine the present value of the benefit obligation	$	7,808	17,110
Fair value of project assets		(8,977)	(18,151)
Net defined benefit liabilities (included in other non-current liabilities)	$	**(1,169)**	**(1,041)**

The company's defined benefit plan is provided to a special labor retirement reserve account at the Bank of Taiwan. The retirement payment for each employee to whom the Labor Standards Law applies is calculated based on the number of years of service and the average salary for the six months prior to retirement.

(a) Composition of project assets

The retirement fund provided by the company in accordance with the Labor Standards Law is coordinated and managed by the Labor Fund Management Bureau of the Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). The minimum income allocated shall not be lower than the income calculated based on the local bank's two-year time deposit interest rate.

As of December 31, 2019, and 2018, the company's Taiwanese bank labor reserve account balances were 49,965 thousand and 59,364 thousand respectively. Information on the use of labor retirement fund assets includes fund returns and fund asset allocation. Please refer to the information published on the website of the Labor Fund Bureau. Defined changes in the present value of welfare obligations

(b) Change in the fair value of planned assets

		2019	2018
Initial defined benefit obligations	$	66,577	45,017
Current interest cost		1,197	1,382
Effect of initial consolidation of subsidiaries		-	16,800
Reduced interest		(733)	-
Re-measurement of net defined benefit liabilities			
—Actuarial gains and losses due to experience adjustment		3,515	680
—Actuarial gains and losses arising from changes in financial assumptions		2,083	2,698
Planned paid benefits		(15,275)	-
Final defined benefit obligations	$	57,364	66,577

(c) Changes in fair value of plan assets

		2019	2018
Fair value of initial plan assets	$	59,364	37,972
Interest income		857	600
Effect of initial consolidation of subsidiaries		-	16,027
Re-measurement of net defined benefit liabilities			
—Actuarial gains and losses		1,739	1,284
Funds provided by employers		3,280	3,481
Plan paid benefits		(15,275)	-
Final fair value of plan assets	$	49,965	59,364

(d) Change in the impact of asset caps

The company has no fixed benefit plan assets in 2019 and 2018.

(e) Expense recognized as profit or loss

		2019	2018
Current service cost	$	263	324
Net interest on net liability assets		77	458
Reduced interest		(733)	-
	$	(393)	782
Operating cost	$	(368)	400
Operating expenses		(25)	382
	$	(393)	782

(f) Remeasurement of net defined benefit liabilities recognized as other comprehensive profit or loss

		2019	2018
Cumulative balance at the initial of the period	$	(15,931)	(13,837)
Current recognized		(3,859)	(2,094)
Cumulative balance at the end of the period	$	(19,790)	(15,931)

(g) Actuarial assumptions

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

	108.12.31	107.12.31
Discount rate	1.1250%~1.25%	1.125%~1.500%
Future salary increases	2.00%	2.00%

The company expects to make a provision of NT$ 4,749 thousand after the reporting date within one year. Defined the weighted average duration of the benefit plan from 15.27 years to 20.39 years.

(h) Sensitivity analysis

	The influence of defined benefit obligation	
	Increase 0.25%	Reduce 0.25%
December 31, 2019		
Discount rate	(2,399)	2,516
Future salary increases	2,455	(2,353)
December 31, 2018		
Discount rate	(2,698)	2,820
Future salary increases	2,765	(2,652)

The above sensitivity analysis is based on the analysis of the impact of change in a single assumption based on other assumption unchanged. Many hypothetical changes in practice may be simultaneous. Sensitivity analysis is consistent with the method used to calculate net pension liabilities at the balance sheet date. The methodology and assumptions used in compiling the sensitivity analysis are the same as prior period.

B. Defined contribution plans

Our defined contribution plans are based on the provisions of the Labor Pension Regulations, and employers should contribute 6% of the salary as a worker's retirement pension. When the company allocates a regular amount to the Bureau of Labor Insurance, there is no statutory or deductive obligation to pay additional amounts.

The following details of the expenses determined by the company for the defined retirement pension as follows:

		2019	2018
Operating costs	$	44,860	41,158
Operating expenses		25,624	23,295
	$	**70,484**	**64,453**

(20) Income taxes

A. Income taxes

		2019	2018
Current income tax			
Current period	$	15,481	13,207
Current income tax of prior period adjustment		688	6,919
		16,169	20,126
Deferred income tax expense			
Occurrence and reversal of temporary differences		49,039	39,092
Changes in unrecognized temporary differences		26,826	9,716
Recognition of deductions for unrecognized losses from prior period adjustment		(14,281)	28,762
Changes in income tax rates		-	(50,776)
		61,584	26,794
Income taxes Expense	$	**77,753**	**46,920**

There was no direct recognized income tax under equity or other comprehensive profit or loss in 2019, and 2018.

The relationship between the income tax expense and net profit before tax in 2019 and 2018 is adjusted as follows：

	2019	2018
Net profit before tax	$ 334,493	372,294
Income tax calculated at the domestic tax rate of the company's location	$ 66,899	74,459
Foreign tax rate difference	(5,589)	(4,803)
Changes in income tax rates	-	(50,776)
Non-deductible expenses	5,165	18,401
Undistributed surplus earning plus income tax	6,404	7,600
Changes of undistributed temporary difference	26,826	9,716
Undistributed decrease in recognized losses	(14,281)	28,762
Investment deduction	(1,549)	(5,520)
Prior income tax adjustment	688	6,919
Others	(6,810)	(37,838)
Income tax expense	$ 77,753	46,920

B. Deferred income tax assets and liabilities

(a) Unrecognized deferred income tax assets and liabilities

The temporary differences related to investment subsidiaries on December 31, 2019 and 2018, due to the company can control the timing of the reversal of the temporary difference and is confident that in the foreseeable future will not reversal, so the relevant deferred income tax liabilities are not recognized. In addition, the company and some subsidiaries on each reporting day assess that it is not likely that there will be sufficient taxable income in the future for loss deduction, so they are not recognized. The amount of deferred income tax assets is as follows:

Unrecognized deferred income tax assets:

	108.12.31	107.12.31
Loss deduction	$ 207,530	221,811

Unrecognized deferred income tax liabilities:

	108.12.31	107.12.31
Amount of temporary differences related to investment in subsidiaries	$ 79,561	106,387

As of December 31, 2019, the loss deduction of the consolidated company's unrecognized deferred income tax assets and its tax amount, the deduction period is as follows:

Undeducted loss	Impact of undeducted loss tax credit amount	Deductible last year
$ 104,417	26,104	Year 2020
103,624	25,906	Year 2021
134,750	33,687	Year 2022
163,037	40,759	Year 2023
188,190	47,048	Year 2024
90,885	18,177	Year 2026
27,206	5,441	Year 2028
52,040	10,408	Year 2029
$ 864,149	**207,530**	

(b) Recognized deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows: ∶

Deferred tax assets:

	Allowance for loss of inventories	Loss deduction	Tax differences for fixed assets	Others	Total
January 1, 2019	$ 72,401	158,946	33,085	47,068	311,500
(Debit) Statement of credit profit and loss	(10,069)	(47,761)	1,568	(9,779)	(66,041)
Exchange differences in the conversion of financial statements	-	-	(327)	-	(327)
December 31, 2019	**$ 62,332**	**111,185**	**34,326**	**37,289**	**245,132**
January 1, 2018	$ 80,810	126,790	34,658	77,032	319,290
(Debit) Statement of credit profit and loss	(9,458)	10,503	(1,279)	(35,974)	(36,208)
Company consolidate acquisition	1,053	21,654	-	6,010	28,717
Exchange differences in the conversion of financial statements	(4)	(1)	(294)	-	(299)
December 31, 2018	**$ 72,401**	**158,946**	**33,085**	**47,068**	**311,500**

Deferred income tax liabilities：

	Not realized	Reserve for Land Revaluation Increment Tax	Others	Total
January 1, 2019	$ -	2,780	7,555	10,335
Debit(credit)income statement	-	-	(4,457)	(4,457)
Exchange differences in the conversion of financial statements	-	-	75	75
December 31, 2019	$	2,780	3,173	5,953
January 1, 2018	$ 9,405	-	7,456	16,861
Debit(credit)income statement	(9,405)	-	(9)	(9,414)
Company consolidate acquisition	-	2,780	-	2,780
Exchange differences in the conversion of financial statements	-	-	108	108
December 31, 2018	$ -	2,780	7,555	10,335

As of December 31, 2019, the consolidated company has recognized the deductions for the loss of deferred income tax assets and tax amounts, and the deduction period is as follows:

Undeducted loss	Impact of undeducted loss tax credit amount	Deductible last year
$ 540,925	108,185	Year 2026
10,640	2,128	Year 2027
4,360	872	Year 2028
$ 555,925	111,185	

C. Income tax verification
The company has been reporting business income tax settlement instructions from the tax authority for approval in year 2017.

(21) Capital and other equity

A. Common stock

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

B. Capital surplus

		108.12.31	107.12.31
Changes in equity of associates accounted for using equity method	$	5,618	2,733
Difference between consideration and carrying amount from acquisition of shares in subsidiaries		-	1
	$	5,618	2,734

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

C. Retained earnings

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

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

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

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

(b) Special reserve

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

(c) Disposition of net income

On June19, 2019 and June 20, 2018, the company resolved the 2019 and 2018 disposition of net income cases through regular shareholders' meetings. The dividends distributed to the owners are as follow:

	2018		2017	
	Dividend per share (TWD)	**Amount**	**Dividend per share (TWD)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.60	192,405	0.90	288,607

D. Other equity (net after tax)

	Exchange differences in the conversion of financial statements of foreign operation	Determine benefit plan re-measurement	Equity instrument investments measured at fair value through other comprehensive profit or loss	Total
January 1, 2019	$ 21,284	(16,004)	-	5,280
Conversion differences from the translation of net assets of foreign operation				
Affiliated companies	(57,924)	-	-	(57,924)
Joint ventures	(225)	-	-	(225)
Determine benefit plan re-measurement	-	(3,859)	-	(3,859)
Equity instrument investments measured at fair value through other comprehensive profit or loss	-	-	22,832	22,832
Balance at December 31,2019	$ (36,865)	(19,863)	22,832	(33,896)
January 1, 2019	$ 64,015	(13,837)	-	50,178
Conversion differences from the translation of net assets of foreign operation				
Affiliated companies	(42,418)	-	-	(42,418)
Joint ventures	(313)	-	-	(313)
Determine benefit plan re-measurement	-	(2,167)	-	(2,167)
Balance at December 31,2018	$ 21,284	(16,004)	-	5,280

E. Non-controlling interests (net after tax)

		2019	2018
Opening Balance	$	58,152	-
Retrospective application of new standard adjustments		(117)	-
Balance after reorganization at the beginning of the period		58,035	-
Acquisition of subsidiaries		-	61,452
Share attributable to non-controlling interests:			
Net loss for the period		(384)	(3,205)
Recognized all changes in equity of subsidiaries		(57,740)	(138)
Exchange differences of financial statements		89	(30)
Determine the number of welfare plans		-	73
	$	-	58,152

(22) Earnings per share

A. Basic earnings per share

		2019	2018
Net profit attributable to ordinary equity holders of the company	$	257,124	328,579
Weighted average number of common shares outstanding (thousands)		320,675	320,675
Basic earnings per share (in dollars)	$	0.80	1.02

B. Diluted earnings per share

		2019	2018
Profit attributable to shareholders of the company	$	257,124	328,579
Weighted-average number of ordinary shares outstanding (in thousands)		320,675	320,675
Effect of dilutive potential common stock (in thousands):			
Employee bonuses		2,250	2,949
Weighted-average number of ordinary share outstanding (in thousands) (including effect of dilutive potential common stock)		322,925	323,624
Diluted earnings per share (in dollars)	$	0.80	1.02

(23) Revenue from contracts with customers

A. Disaggregation of revenues

		2019		
		Optoelectronics	**Others**	**Total**
Primary geographical market:				
Mainland China	$	8,043,901	605,787	8,649,688
Taiwan		4,364,445	493,358	4,857,803
Other country		114,961	320,517	435,478
	$	**12,523,307**	**1,419,662**	**13,942,969**
Major products/services:				
Optoelectronics	$	12,523,307	-	12,523,307
Others		-	1,419,662	1,419,662
	$	**12,523,307**	**1,419,662**	**13,942,969**

		2018		
		Optoelectronics	**Others**	**Total**
Primary geographical market:				
Mainland China	$	6,616,909	292,955	6,909,864
Taiwan		5,174,507	362,204	5,536,711
Other country		160,703	156,893	317,596
	$	**11,952,119**	**812,052**	**12,764,171**
Major products/services:				
Optoelectronics	$	11,952,119	-	11,952,119
others		-	812,052	812,052
	$	**11,952,119**	**812,052**	**12,764,171**

B. Contract balance

		2019.12.31	**2018.12.31**	**2018.1.1**
Notes and accounts receivable (including related parties)	$	1.854.938	2.317.660	2,810.986
Less: loss allowance		(23.359)	(24.773)	(20.122)
Total	$	**1.831.579**	**2,292.887**	**2,790.864**

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

(24) Remuneration to employee and directors

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

For the year ended December 31, 2019 and 2018, BenQ accrued the remuneration to employees amounting to $36,035 thousand, $40,742 thousand, respectively, remuneration to directors amounting to $2,703 thousand, and $3,056 thousand, respectively, and the remuneration to directors were estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

Remuneration to employees for 2019 and 2018, in cash for payment had been approved in the meeting of board of directors. The information about the remuneration to employees and directors is available at the Market Observation Post System website.

(25) Non-operating income and expenses

A. Other income

	2019	2018
Bank deposits interest income	$ 1,539	1,220
Imputed interest of deposits	36	11
Government grants income	37,002	65,213
	$ 38,577	66,444

B. Other gains and losses

	2019	2018
Gains (losses) on disposals of property, plant and equipment	$ 276	(1,087)
Foreign exchange gain (losses) net	(33,759)	32,661
Gains (losses) on valuation of financial instruments at FVTPL, net	(20,267)	(166,237)
Gain recognized in bargain purchase (note6(8))	-	253
Others	20,222	34,799
	$ (33,528)	(99,611)

C. Finance costs

	2019	2018
Interest expense on bank borrowing	$ (76,140)	(72,577)
Lease liabilities	(5,817)	-
	$ (81,957)	(72,577)

(26) Categories of financial instruments and fair value

A. Categories of finance instrument

(a) Financial assets

		108.12.31	107.12.31
Fair value through profit or loss financial assets:			
Foreign exchange forward contract	$	2,173	14,691
Currency swap contract		6,523	4,499
Subtotal		8,696	19,190
Fair value through other comprehensive income financial assets: Assets		101,232	-
Amortized cost financial assets			
Cash and cash equivalents		196,254	169,013
Notes and accounts receivable and other receivables (including related parties)		2,060,247	2,435,634
Other financial assets- current		4,639	5,844
Refundable deposits		17,202	21,870
Subtotal		2,278,342	2,632,361
Total	$	**2,388,270**	**2,651,551**

(b) Financial liabilities

		108.12.31	107.12.31
Fair value through profit or loss financial liabilities:			
Foreign exchange forward contract	$	1,991	1,360
Subtotal		1,991	1,360
Amortized cost financial liabilities:			
Short term loan		56,800	50,000
Notes and accounts payable and other payables (including related parties)		3,224,172	3,389,849
Long term loan (including due within a year)		1,993,000	2,050,221
Lease liabilities-current and noncurrent (including related parties)		272,888	-
Guarantee deposit received		22,556	23,203
Subtotal		5,569,416	5,313,273
Total	$	**5,571,407**	**5,514,633**

B. Fair value information

(a) Financial instruments not measure at fair value

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

(b) Financial instruments measured at fair value

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

I. Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.

II. Level 2: inputs Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	2019.12.31				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	$ 2,173	-	2,173	-	2,173
Currency swap contract	6,523	-	6,523	-	6,523
	$ 8,696	-	8,696	-	8,696
Financial assets at FVTOCI:					
Domestic stocks company shares	$ 101,232	-	101,232	-	101,232
Financial liabilities at FVTPL:					
Foreign exchange forward contract	$ (1,991)	-	(1,991)	-	(1,991)

	2018.12.31				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	$ 14,691	-	14,691	-	14,691
Currency swap contract	4,499	-	4,499	-	4,499
	$ 19,190	-	19,190	-	19,190
Financial assets at FVTOCI:					
Foreign exchange forward contract	$ (1,360)	-	(1,360)	-	(1,360)

C. Valuation techniques and assumption applied in fair value measurement

(a) Non-derivative financial instruments

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

(b) Derivative financial instruments

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

D. Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the year end 2019 and 2018.

(27) 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 business activities. This note expresses the company's risk information for each of the above risks, the company's policies and procedures for measuring and managing these risks, and quantitative disclosure.

The company's board of directors is responsible for developing and controlling the company's risk management policy. The establishment of the risk management policy is to identify and analyze the risks facing the company, set appropriate risk limits and controls, and monitor the compliance of risks and risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the company's operations.

The management of the company supervises and reviews financial activities in accordance with relevant standards and internal control systems. Internal auditors play a supervisory role and regularly report the results of the review to the board of directors.

A. Credit Risk

Credit risk refers to the risk of the financial loss of the company caused by the failure of the counterparty to perform its contractual obligations. As of the financial reporting date, the company's main potential credit risk comes from financial assets such as bank deposits and accounts receivable from customers. The carrying amount of the company's financial assets represents the maximum credit risk.

Due to the industrial characteristics, the company's optoelectronic products are concentrated in a small number of customers, so that the company has a significant concentration of credit risk. As of December 31, 2019 and 2018, the top five largest customers in the balance of accounts receivable (including related parties) were 47% and 62%, respectively. The company has established a credit granting policy. According to this policy, each customer's credit status is analyzed individually to determine its credit limit, and the customer's financial status is regularly assessed, and insurance is used to reduce credit risk.

B. Liquidity risk

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

As of December 31, 2018, and 2019, the Company had unused credit facilities of $10,251,183 thousand and $8,133,360 thousand, respectively.

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

	Contractual cash flows	Within 6 months	6-12 months	1-5 years	Over 5 years
December 31, 2019					
Non-derivative financial liabilities					
Short term loan	$ 56,849	56,849	-	-	-
Accounts payable (including related parties)	2,592,348	2,591,783	565	-	-
Other payables (including related parties)	631,824	631,824	-	-	-
Long-term debt (floating rate)	2,090,222	14,785	14,706	2,060,731	-
Lease liabilities (including related parties)	280,800	40,081	47,913	192,806	-
Guarantee deposit received	22,556	2,992	3,529	15,756	279
	$ 5,674,599	3,338,314	66,713	2,269,293	279
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	$ (1,291,763)	(1,291,763)	-	-	-
Outflow	1,291,581	1,291,581	-	-	-
Currency swap contract- net	(6,523)	(6,523)	-	-	-
	$ (6,705)	(6,705)	-	-	-
December 31, 2018					
Non-derivative financial liabilities					
Short term loan	$ 50,046	50,046	-	-	-
Accounts payable (including related parties)	2,913,756	2,909,380	388	3,988	-
Other payables (including related parties)	476,093	476,093	-	-	-
Long-term debt (floating rate)	2,164,333	16,639	26,151	2,121,543	-
Guarantee deposit received	23,203	6,061	3,383	13,513	246
	$ 5,627,431	3,458,219	29,922	2,139,044	246

	Contractual cash flows	Within 6 months	6-12 months	1-5 years	Over 5 years
Derivative financial liabilities					
Foreign exchange forward contracts – total:					
Inflow	$ (1,660,048)	(1,660,048)	-	-	-
Outflow	1,646,717	1,646,717	-	-	-
Currency swap contract- net	(4,499)	(4,499)	-	-	-
	$ (17,830)	(17,830)	-	-	-

The Company does not expect that the cash flow analysis due at maturity date will occur significant earlier or the actual amount will be significantly different.

C. Market risk

Market risk refers to the risks that affect the company's income or the value of financial instruments held due to changes in market prices, such as changes in exchange rates, interest rates, and prices of equity instruments. The objective of market risk management is to control the degree of risk of market risks within an acceptable range and to optimize the return on investment.

In order to manage market risks, the company engages in derivatives trading, and its use is regulated by policies approved by the board of directors. In generally, the company uses risk aversion to manage profit and loss fluctuations.

(a) Currency risk

The Company is exposed to exchange rate risks arising from sales, purchases and borrowing transactions that are not denominated in functional currencies. The functional currency of the company is New Taiwan Dollar. The main denomination currencies for these non-functional currency transactions are the USD and JPY.

The company's hedging strategy 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 company's exchange rate risk mainly comes from foreign currency denominated cash and equivalent cash, accounts receivable (payable) (including related parties), other receivable (payable) (including related parties), and bank borrowings. Foreign currency exchange gains and losses. The carrying amounts of the Company's major monetary assets and liabilities not denominated in functional currencies at the reporting date are as follows:

Unit: thousand TWD

	2019.12.31				
	Foreign currency	**Exchange rate**	**TWD**	**Changes in magnitude**	**Effect on profit or loss**
Financial assets					
USD	$ 68,255	30.106	2,054,885	1%	20,549
JPY	47,920	0.2771	13,279	1%	133
Financial liabilities					
USD	33,556	30.106	1,010,237	1%	10,102
JPY	5,218,153	0.2771	1,445,950	1%	14,460

	2018.12.31				
	Foreign currency	**Exchange rate**	**TWD**	**Changes in magnitude**	**Effect on profit or loss**
Financial assets:					
USD	$ 78,252	30.715	2,403,510	1%	24,035
JPY	67,681	0.2780	18,815	1%	188
Financial liabilities:					
USD	27,104	30.715	832,499	1%	8,325
JPY	6,329,343	0.2780	1,759,557	1%	17,596

Due to the wide variety of foreign currency monetary items of the Company, the exchange gains and losses information of monetary items in the year 2019 and 2018 is disclosed by consolidation. (33,759) thousand and 32,661 thousand.

II. Interest rate risk

The company's bank borrowings are based on a floating interest rate. 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 achieve lower financing costs, and at the same time cooperate with strengthening working capital management and other methods to reduce the dependency of bank borrowings diversifies the risk of interest rate changes.

The sensitivity analysis below is based on the risk of interest rate exposure of non-derivative instruments at the reporting date. For floating rate liabilities, the analysis method assumes that the amount of liabilities outstanding at the reporting date is outstanding throughout the year. If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the company net profit before tax for the year 2019 and 2018 will decrease or increase by 20,498 thousand and 21,002 thousand.

III. Equity instrument price risk

The company held by domestic emerging stock equity securities market shall bear the risk of price changes. The company manages and monitors investment performance on a fair value basis.

The sensitivity analysis on the price risk of holding the above-mentioned domestic companies is based on the change in fair value at the reporting date. If the price of equity instruments rises / falls by 5%, the amount of other comprehensive profits and losses for the year of 2008 will increase / decrease by 5,062 thousand.

(28) Capital management

Based on the characteristics of the current operating industry and the future development of the company, and considering factors such as changes in the external environment, the company plans its capital management to ensure that the company has the necessary financial resources and operating plans to support future working capital and capital expenses, research and development expenses, debt service and dividend expenses and other needs.

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

A. Refer to Note 6(10) for the Company acquired the right-of-use assets by lease for the year ends December31, 2019.

B. The reconciliation of liabilities from financing activities was as follows:

	2019.1.1	Cash flows	Changes in non-cash Rent adjustment	2019.12.31
Short-term borrowing	$ 50,000	6,800	-	56,800
Long-term borrowing (including due within a year)	2,050,221	(57,221)	-	1,993,000
Guarantee deposit received	23,203	(647)	-	22,556
Lease liabilities (including related parties)	361,485	(99,261)	10,664	272,888
Total liabilities from financing activities	$ 2,484,909	(150,329)	10,664	2,345,244

			Non-cash change	
	2018.1.1	**Cash flows**	**Effect of initial consolidation of subsidiaries**	**2018.12.31**
Short-term borrowing	$ 925,040	(1,094,233)	219,193	50,000
Long-term borrowing (Including within a year)	1,900,000	45,424	104,797	2,050,221
Guarantee deposit received	23,959	(876)	120	23,203
Total liabilities from financing activities	$ 2,848,999	(1,049,685)	324,110	2,123,424

7. Related-party transactions

(1) Name and relationship of related parties

Name of related party	Relationship with the company
Qisda Corporation ('Qisda")	Parent of the Company
Visco Vision Inc. ("Visco Vision")	Joint ventures of Consolidated company
Cenefom Corporation Limited (Cenefom)	Joint ventures of Consolidated company
Visco Technology Sdn. Bhd.	Subsidiary of Visco Vision
Other related parties:	
BenQ Foundation	Substantive related party of Qisda
AU Optronics Corp. (AU)	Joint venture of Qisda
AU Optronics (L) Co. ("AUL")	Joint venture of Qisda
Suzhou AU Optronics (L) Co.	Subsidiary of AU
AU Optronics (L) Co. ("AUL")	Subsidiary of AU
AFPD Pte., Ltd.	Subsidiary of AU
AU Optronics (Suzhou) Corp. ("AUS")	Subsidiary of AU
AU Optronics (Kunshan) Corp.	Subsidiary of AU
AU Optronics (Xiamen) Corp. ("AUX")	Subsidiary of AU
AU Optronics (Shanghai) Corp.	Subsidiary of AU
Au Optronics (Slovakia) Corp.	Subsidiary of AU
AUO Care Technology (Suzhou) Corp.	Subsidiary of AU
Briview Electronic (Hefei) Corp.	Subsidiary of AU
Darwin Precision (Xiamen) Corp.	Subsidiary of AU
Darwin Precision (Suzhou) Corp.	Subsidiary of AU
Darwin Precision Corp.	Subsidiary of AU
For hssz (Suzhou) Inc.	Subsidiary of AU
Mega Insight (Suzhou) Inc.	Subsidiary of AU
Edge tech Technology (Suzhou) Inc.	Subsidiary of AU
U-Fresh Technology (Suzhou) Inc.	Subsidiary of AU
Lextar Electronics Corporation	Joint venture of AU

Name of related party	Relationship with the company
Daxin Materials Corporation	Joint venture of AU
DFI Inc.	Subsidiary of Qisda
Nanjing BenQ Medical Hospital (NMH)	Subsidiary of Qisda
Suzhou BenQ Medical Hospital (SMH)	Subsidiary of Qisda
LILY Medical (Suzhou) Corporation	Subsidiary of Qisda
LILY Medical Corporation	Subsidiary of Qisda
Darly Venture (L) Ltd.	Subsidiary of Qisda
Darly Consulting Corporation	Subsidiary of Qisda
BenQ Asia Pacific Corp.	Subsidiary of Qisda
BenQ Asia Pacific Malaysia Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific Singapore Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific India Co., Ltd.	Subsidiary of Qisda
BenQ ESCO Corp.	Subsidiary of Qisda
BenQ GURU Corp.	Subsidiary of Qisda
BenQ Corp.	Subsidiary of Qisda
BenQ (Shanghai) Corp.	Subsidiary of Qisda
BenQ Hearing Solution Corporation	Subsidiary of Qisda
Partner Tech Corp.	Subsidiary of Qisda
BenQ Medical Technology Corp.	Subsidiary of Qisda
BenQ AB DentCare Corporation	Subsidiary of Qisda
New Best Hearing International Trade Co., Ltd	Subsidiary of Qisda
BenQ Intelligent Technology (Shanghai) Co., Ltd	Subsidiary of Qisda
Suzhou Qisda Optoelectronics Co., Ltd.	Subsidiary of Qisda
Suzhou Qisda Electronics Co., Ltd.	Subsidiary of Qisda
Suzhou Qisda Dentsu Co., Ltd.	Subsidiary of Qisda
Suzhou Qisda Precision Industry Co., Ltd.	Subsidiary of Qisda
SYSAGE Technology Co., Ltd.	**Subsidiary of Qisda**
Expert Alliance Systems & Consultancy (HK) Company Limited	Subsidiary of Qisda

(2) The Company's significant related party transactions

1. Operating income

		2019	2018
Other related parties:			
AU	$	4,052,092	5,001,378
AUS		1,227,025	3,159
AUX		807,828	3,405
AUL		3,731	2,053,749
Other		10,421	10,466
Joint ventures		49,977	54,099
Parent		129	-
	$	6,151,203	7,126,256

The sales prices for the transactions of related parties were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers. The payment terms of 90 to120 days showed no significant difference between related parties and third-party customers.

2. Purchase

		2019	2018
Joint ventures	$	225,911	168,062
Other related parties		627	-
	$	226,538	168,062

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

3. Acquisition of property, plant and equipment

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

Related-party categories	Account		2019	2018
Parent	Intangible assets	$	1,031	982
Other related parties	Equipment		672	-
Other related parties	Intangible assets		2,363	-
Other related parties	Computer		-	289
		$	4,066	1,271

4. Lease

The Company rented the plants and offices from AU and referred to neighboring areas for the rental. The rental expenses for the end of December 31, 2018, amounted to $71,275 thousand, respectively. First-time adoption of IFRS 16 on January 1, 2019, the lease transaction was recognized in right-of-use assets and lease liabilities of $327,330 thousand and $346,090 thousand, respectively. Interest expense for the year ended December 31, 2019, amounted to $5,570 thousand. As of December 31, 2019, the lease liabilities amounted to $262,069 thousand.

The consolidated company leases the plants and offices to other related parties. The rental income is summarized as follows:

	2019	2018
Other related party	$ 1,363	2,013

5. Accounts receivable- related parties

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

Account	Relation-party categories	2019.12.31	2018.12.31
Related parties	Other related parties－AUL	$ -	425,857
	Other related parties－AU	13,217	152,988
	Other related parties－AUX	26,818	1,999
	Other related parties－AUS	10,893	1,988
	Other related parties－others	3,349	5,076
	Joint ventures	15,351	23,831
	Subtotal	69,628	611,739
Other receivables- related parties	Other related parties	159	278
	Joint ventures	5	–
	Subtotal	164	278
		$ 69,792	612,017

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

2019.12.31						
Underwatering Bank	Factored Amount	Amount of advance available	Advance amount	Amount of transferred other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	$ 986,245	-	887,620	98,625	2.54%~2.66%	Promissory note 150,000
Chinatrust Commercial Bank	524,853	-	472,368	52,485	2.35%	Promissory note 54,191
	$ 1,511,098	-	1,359,988	151,110		204,191

	2018.12.31					
Underwatering Bank	**Factored Amount**	**Amount of advance available**	**Advance amount**	**Amount of transferred other accounts receivable (Note 6(5))**	**Range of interest rates**	**Other important matters**
Mega International Commercial Bank	$ 1,194,472	-	1,075,025	119,447	3.65%	Promissory note 200,000
Chinatrust Commercial Bank	153,576	-	138,218	15,358	3.90%	Promissory note 55,287
	$ 1,348,048	-	1,213,243	134,805		255,287

6. Accounts payable- related parties

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

Accounts	Related-party categories	2019.12.31	2018.12.31
Accounts payable- Related parties	Joint Ventures	$ 21,830	40,645
Other payables- Related parties	Other related parties	18,277	15,520
	Parent	-	5
		18,277	15,525
		$ 40,107	56,170

(3) Compensation for key management personnel

	2019	2018
Short-term employee benefits	$ 46,783	44,995
Post-employment benefits	324	324
	$ 47,107	45,319

8. Pledged assets

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

Pledged assets	Pledged to secure	2019.12.31	2018.12.31
Land and building	Long-term debt	$ 698,407	720,446
Equipment	Long-term debt	-	118,930
		$ 698,9	839,376

9. Significant commitments and contingencies

Significant unrecognized commitments:

	2019.12.31	2018.12.31
Unused lets of credit	$ 932,174	971,528
Unpaid payments of major construction and equiptment	169,532	157,620

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

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

Function / Nature	2019			2018		
	Recognized in cost of sales	**Recognized in operation expense**	**Total**	**Recognized in cost of sales**	**Recognized in operation expense**	**Total**
Employee benefits expense						
Salaries and wages	1,174,251	595,024	1,769,275	1,129,285	527,084	1,656,369
Labor and health insurance	93,171	40,958	134,129	76,137	34,531	110,668
Retirement benefits	44,492	25,599	70,091	41,558	23,677	65,235
Other employee benefits	67,901	24,467	92,368	56,115	21,550	77,665
Depreciation	524,778	121,247	646,025	371,389	124,578	495,967
Amortization	10,853	18,238	29,091	16,781	22,761	39,542

13. Additional disclosures

(1) Information on significant transactions:

For the year ended December 31, 2019, the Company should disclose relevant information accordance with Preparation of Financial Reports:

1. Financing provided to other parties:

(Expressed in thousands of New Taiwan dollars)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the period	Ending balance	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transaction with the borrow	Reason for short-term financing	Amount of allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	BMS (Note 1)	BenQ Materials (Wuhui) Co. Ltd	Other receivables-related parties	Yes	920,700 (RMB200,000)	862,640 (RMB200,000)	862,640 (RMB200,000)	1.8%	2	-	Business operation	-		-	1,168,597	1,947,662
2	BMS (Note 1)	BenQ Materials (Wuhui) Co. Ltd	Other receivables - related parties	Yes	282,003 (RMB65,000)	280,358 (RMB65,000)	62,541 (RMB14,500)	1.8%	2	-	Business operation	-		-	1,168,597	1,947,662
3	BMS (Note 1)	Sigma Medical Supplies Corp.	Other receivables - related parties	Yes	86,264 (RMB20,000)	86,264 (RMB20,000)	-	1.8%	2	-	Business operation	-		-	1,168,597	1,947,662

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

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

(Note 3): It has been written off when preparing the consolidated financial report.

2. Provision of endorsement and guarantees to others: None
3. Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates):

Investing company	Marketable securities type and name	Relation with the securities issuer	Financial statement account	As of December 31, 2019				Mid-term highest shareholding		Note
				Shares (K)	Carrying Amount	Ownership%	Fair value	Shares (K)	Ownership%	
BenQ	Stock: Biodenta Corporation	-	Financial assets at fair value through profit or loss	225	(Note)	2.50%	-	225	2.50%	
BenQ	Changguang company stock	-	Financial assets at fair value through other comprehensive profit or loss	1,600	101,232	5.25%	101,232	1,600	5.25%	

(Note): The impairment loss was fully recognized.

4. Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of paid-in capital or more: None.
5. Acquisition of property reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of property reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more:

Purchaser (seller)	Counter party	Relationship with the counter party	Transaction Detail				Differences in transaction terms compare to third-party transactions		Notes/accounts receivable (payable		Note
			Purchases (sales)	Amount	% of total purchases (sales)	Credit term	Unit price	Credit term	Balance	% of total Notes/ accounts receivable (payable)	
BenQ	AU	Other related party	Sales	4,052,092	31%	OA90	(Note 1)	(Note 3)	13,217	1%	-
BenQ	AUS	Other related party	Sales	1,227,025	9%	OA90	〃	〃	10,893	1%	-
BenQ	AUX	Other related party	Sales	807,828	6%	OA90	〃	〃	26,818	1%	-
BenQ	DTB	Subsidiary	Sales	201,912	2%	OA90	〃	〃	120,417	6%	(Note 4)
BenQ	BMS	Subsidiary	Purchase	(796,802)	6%	OA90	(Note 2)	〃	(125,238)	5%	(Note 4)
BenQ	BMLB	Subsidiary	Purchase	(294,842)	2%	OA90	〃	〃	-	-	(Note 4)
BenQ	Visco Vision	Joint ventures	Purchase	(225,656)	2%	OA90	〃	〃	(21,830)	1%	-

(Note 1): The sales prices for the transactions of related parties were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers.
(Note 2): The purchase prices for the transactions of related parties were not comparable to the purchase prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the purchase prices for related parties and those for third-party customers.
(Note 3): The transactions, there were no significant differences between related parties and those for third-party customers.
(Note 4): The transactions have been eliminated when preparing the consolidated financial statements.
(Note 5): The amount of purchases and sales with related parties only reveals the amount of the parent company, and the relative amount of the subsidiary will not be repeated.

8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

Company name	Counter party	Relationship with the counter party	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful account
					Amount	Action taken		
BMS (Note 1)	BenQ	Subsidiary	125,238	12.63	-	-	99,257	-
BenQ (Note 1)	DTB	Subsidiary	120,417	2.87	-	-	11,163	-

(Note 1): It has been written off when preparing the consolidated financial report.

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

10. Business relationship and important transaction between parent and subsidiary companies:

Numbers (Note 1)	Dealer name	Transaction object	Relationship with dealers (Note 2)	Transaction status (Note 3)			
				Subject	Amount	terms	Ratio of consolidated total operating income or total assets (Note 4)
1	BenQ	DTB	1	Sales	201,912	OA90	1.44%
2	BenQ	DTB	1	Accounts receivable	120,417	OA90	1.17%
3	BMLB	BenQ	2	Sales	294,842	OA90	2.11%
4	BMS	BenQ	2	Processing income	796,802	OA90	5.71%
5	BMS	BenQ	2	Accounts receivable	125,238	OA90	1.21%

(Note 1): The number is filled in as follows:
1.0 represents the parent company.
2. Subsidiaries are numbered sequentially starting with Arabic numeral 1 according to company type.
(Note 2): The type of relationship with the trader is marked as follows:
1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.
(Note 3): The business relationship between parent and subsidiary companies and important transaction transactions only disclose the sales and accounts receivable information, and the relative purchases and accounts payable will not be described in detail.
(Note 4): It is the transaction amount divided by consolidated operating income or consolidated total assets.
(Note 5): When preparing the consolidated financial report, it has been written off.

(2) Information on investees:
The information of investee companies for the nine months ended September 30, 2019 (excluding investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Mid-term highest shareholding		Shareholding ratio of invested company	Current gains and losses recognized in this period	Note
				Balance at December 31, 2019	Balance at December 31, 2019	Shares	Ownership (%)	Carrying amount	Shares	Ownership (%)			
BenQ	BMLB	Malaysia	Investment holding	1,141,340	1,141,340	35,082	100.00%	1,495,217	35,082	100.00%	(128,110)	(128,110)	(Note 1
BenQ	SMS	Taiwan	Manufacture and sales of medical consumables and equipment	560,000	498,716	40,000	100.00%	494,430	40,000	100.00%	(38,683)	(32,232)	(Note 1
BenQ	Visco Vision	Taiwan	Manufacture and sales of contact lenses	180,523	180,523	9,984	18.58%	186,053	9,984	18.58%	319,860	59,251	
BenQ	CENEFOM	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	29,127	29,127	1,095	12.12%	15,659	2,190	15.48%	(12,708)	(1,707)	

(Note 1): When preparing the consolidated financial report, it has been written off.

(3) Information on investments in Mainland China

1. Relevant information on investments in Mainland China:

Investee in Mainland China	Main business activites	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of December 30, 2019	Net income of investee for the current period	Ownership held by BenQ (direct or indirect)	Investment income (loss) recognized for the current period	Carrying amount of investments as of December 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
BenQ Material Co. Ltd. (BMS)	Manufacture of optoelectronics	873,074 (USD29,000)	(3)	873,074 (USD29,000)	-	-	873,074 (USD29,000)	72,205	100.00%	72,205 (Note 2)	1,947,662	-
Daxon Biomedical (Suzhou) Co. Ltd. (DTB)	Sales of optoelectronics and medical consumables	47,445 (RMB11,000)	(2)	-	-	-	-	(46,150)	100.00%	(46,150) (Note 2)	(550)	-
BenQ Material (Wuhu) Co. Ltd.	Manufacture and sales of optoelectronic	345,056 (RMB80,000)	(3)	172,528 (RMB40,000)	-	-	172,528 (RMB40,000) (註三)	(151,771)	100.00%	(151,771) (Note 2)	(417,694)	-
BenQ Materials Medical (Suzhou) Co. Ltd. (BMM)	Manufacture and sales of medical consumables and equipment	4,313 (RMB1,000)	(2)	-	-	-	-	(27)	100.00%	(27) (Note 2)	3,492	-
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	47,929 (USD1,592)	(1)	47,929 (USD1,592)	-	-	47,929 (USD1,592)	(6,018)	100.00%	(6,018) (Note 2)	41,472	-

(Note 1): Investment methods are classified into the following three categories:
(1) Directly invest in a company in Mainland China.
(2) The reinvestments in Mainland China were from the earnings of BMLB.
(3) Indirect investment in Mainland China is through a holding company established in a third country.
(Note 2): Investment income or loss was recognized based on the reviewed financial statements issued by the auditors of the parent in Taiwan.
(Note 3): The amount of MBLB reinvestments RMB10,950 thousand were excluded.

2. Limits on investments in Mainland China:

(Expressed in thousands of New Taiwan dollars)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 30, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment by Investment Commission, MOEA
BenQ	1,045,602 (USD29,000 and RMB40,000)	1,157,530 (USD29,000 and RMB65,950)	(Note)
SMS	47,929 (USD1,592)	47,929 (USD1,592)	232,346

The above amounts were translated into NTD at the exchange rate of USD1=NTD30.106 and RMB1=NTD4.3132.

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

3 Significant transactions with investee companies in Mainland China:

The direct or indirect transactions in Mainland China have been eliminated when preparing the consolidated financial statements for the nine months ended December 30, 2019, please refer to "Information on significant transactions" for the details.

14. Segment information

The reportable business department of the consolidated company has only the functional film department. The functional film department is mainly engaged in the sales, manufacturing and research and development of various electronic chemical film products.

Other operating departments of the consolidated company include sales, manufacturing and research and development of medical products, and sales of contact lenses. These departments did not meet any quantitative thresholds for reportable departments in year 2019 and 2018.

Except for operating expenses and non-operating income (expenses) that cannot be directly attributed to each operating department, the accounting policies of the operating departments are divided by the proportion of the revenue (or number) of the total income (or total number) in each operating department. Including, the income tax expense is directly included in the functional membrane department without apportionment, and the balance is the same as the summary of important accounting policies described in Note 4.

Except for the share of profits and losses of consolidated companies that adopt the equity method, the profit and loss of the operating department is measured by profit and loss after tax and is used as the basis for evaluating performance. The merged company treats sales and transfers between departments as transactions with third parties.

The information and adjustment of the merged company's operating department are as follows：

	2019			
	Functional films department	**Other departments**	**Adjustment and elimination**	**Total**
Revenue from external customers	$ 12,523,307	1,419,662	-	13,942,969
Intersectoral revenue	-	-	-	-
Total income	**$ 12,523,307**	**1,419,662**	**-**	**13,942,969**
Departmental interest	**$ 158,757**	**40,439**	**-**	199,196
Shares of interests of related companies recognized by the equity method				57,544
Net profit after tax				**$ 256,740**

	2018			
	Functional films department	**Other departments**	**Adjustment and elimination**	**Total**
Revenue from external customers	$ 11,952,119	812,052	-	12,764,171
Intersectoral revenue	-	-	-	-
Total income	**$ 11,952,119**	**812,052**	**-**	**12,764,171**
Departmental interest	**$ 270,799**	**16,166**	**-**	286,965
Shares of interests of related companies recognized by the equity method				38,409
Net profit after tax				**$ 325,374**

(1) Product Category and labor-specific information

The consolidated company's revenue from external customers is as follows:

Product and labor-specific information	**2019**	**2018**
Functional films	$ 12,523,307	11,952,119
Others	1,419,662	812,052
	$ 13,942,969	**12,764,171**

(2) Region Information

The difference information of the consolidated companies is as follows. Among them, the revenue is classified based on the geographic location of the customer, and the non-current assets are classified according to the geographic location of the asset.

Region	**2019**	**2018**
Revenue from external customers		
Mainland of China	$ 8,649,688	6,909,864
Taiwan	4,857,803	5,536,711
Other countries	435,478	317,596
	$ 13,942,969	**12,764,171**

Region		**2019.12.31**	**2018.12.31**
Non-current assets			
Taiwan	$	3,784,518	3,439,496
Mainland of China		1,505,786	1,637,158
	$	**5,290,304**	**5,076,654**

Non-current assets include real estate, plant and equipment, right-of-use assets, investment property, intangible assets and other assets, but non-current assets excluding financial instruments, deferred income tax assets and assets for retirement benefits.

(3) Main Customers information

		2019	**2018**
Customer A	$	4,052,092	5,001,378
Customer B		1,320,598	1,198,098
Customer C		1,227,025	2,053,749
	$	**6,599,715**	**8,253,225**

Independent Auditors' Report

To the Board of Directors of BenQ Materials Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of BenQ Materials Corp. and its subsidiaries (the "Group") as at December 31, 2019, and 2018, and the related consolidated statements of comprehensive income, of changes in equity and cash flows for the years, then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and others explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BenQ Materials Corp. and its subsidiaries as at December 31, 2019, and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended by following the "Regulations Governing the Preparation of Financial Reports by Securities issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits by following the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audits report of other independent accountants, 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 judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

1. Inventory valuation

   For the accounting policy of inventory valuation, please refer to Note 4(7) of the consolidated financial statements; for the uncertainty of accounting estimates and assumption in relation to inventory valuation, please refer to Note 5; for the details of inventories, please refer to Note 6(6).

   Description of key audit matters:

   The primary inventory of BenQ Material Corp is optoelectronics products. Inventories are measured at the lower of cost and net realizable value. As the inventory of BenQ Material Corp, Ltd is affected by the market demand of the applied product and the yield of the production process, which caused in sluggish or falling prices, therefore the inventory is one of the important evaluations items for our implementation in the independent financial report.

The concern of audit procedure:

The main audit procedure of conducting key matters upon including look through the changing of inventory age in inventory age report analysis; sample testing the inventory cost and net realizable value file provided by BenQ Material Co., Ltd; review sales and management meeting to assess the situation of destocking; Assess whether the evaluation of inventory is complies with the Company's established accounting policies; perform retrospective inventory testing to verify the rationality of obsolete and slow-moving inventories.

2. Impairment of subsidiaries' real property, plant and equipment and intangible assets

For accounting policies on impairment of non-financial assets, please refer to No 4(13) of the individual financial report; please refer to Note 5 of the individual financial report for explanations of uncertainties in accounting estimates and assumption of real property, plant and equipment and intangible assets. For disclosers related to investments using the equity method, please refer to Not 6(7) of the individual financial report.

Description of key audit matters:

The subsidiary BenQ Material Wuhu co., Ltd of BenQ Material Corp. (accounted under the equity method of investment), continues to incur losses due to its operations, and there may be significant risks of asset impairment. Due to the evaluation of asset impairment losses requires the estimation and the discount future cash flow to estimate the recoverable amount of assets, and the estimation of future cash flows involves management's subjective judgement and has significant uncertainties, therefore the asset impairment evaluation of BenQ Wuhu Corp is one of the important evaluation matters in the audit of individual financial statement performed by the auditors.

The concern of audit procedure:

The main audit procedure of conducting key matters above are in addition to comparing the discount rate used by the company's management when estimated the recoverable amount of assets with internal and external information to evaluate its reasonableness and estimating the future cash flow. The main audit procedures include assessing the rationality of past forecasts made by the company's management; the internal and external available information is compared with the main assumptions (including revenue growth rate, gross profit margin, and operating expense ratio) made by the company's management to evaluate the rationality of the assumptions.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the ability of BenQ Material Corp. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BenQ Material Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of BenQ Material Corp.

Independent auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole area free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 separate financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identifying and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of no detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of BenQ Material Corp.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of BenQ Material Corp. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BenQ Material Corp. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BenQ Material Corp. to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Taipei, Taiwan

Republic of China

February 25th., 2020

The accompanying financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China. The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Balance Sheets

December 31, 2019 and 2018

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

Code	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note6(1))	$ 137,623	1	96,380	1
1110	Financial assets measured at fair value through profit or loss – current (Note 6(2))	8,696	-	19,190	-
1120	Financial assets at fair value through other comprehensive income– current (Note 6(3))	101,231	1		
1170	Notes and accounts receivable, net (Note 6(4),(20))	1,584,332	16	1,512,180	13
1180	Accounts receivable from related parties, net (Note 6(4),(20)&7)	292,984	3	664,415	7
1200	Other receivable (Note 6(5)&7)	226,774	2	1134,833	1
1210	Other receivable from related parties (Note 6(5)&7)	5,367	-	68,378	1
1310	Net inventories (Note 6(6))	1,718,249	17	1,724,792	17
1470	Other current assets	73,319	1	72,306	1
1476	Other current financial assets	54,639	-	5,844	-
	Total current assets	4,153,215	41	4,298,318	43
	Noncurrent assets:				
1550	Investment in equity-accounted investees (Note 6(7))	2,191,359	22	2,307,110	23
1600	Property, plant and equipment (Note 6(8),7&8)	3,195,212	32	3,038,812	31
1755	Right-of-use asset (Note6(9)&7)	256,045	3	-	-
1780	Intangible assets (Note 6(10)&7)	22,125	-	13,139	-
1840	Deferred tax assets	206,028	2	269,093	3
1920	Refundable deposits	3661	-	2,853	-
1995	Other noncurrent assets	45570	-	37,285	-
	Total noncurrent assets	5,920,000	59	5,668,292	57
	Total Assets	$10,073,215	100	9,966,610	100

Code	Liabilities and Stockholders' Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2120	Financial liabilities measured at fair value through Profit or loss – current (Note 6(2))	1,991	-	1,360	-
2170	Notes and accounts payable	2,462,865	24	2,730,840	28
2180	Notes and accounts payable to related parties (Note 7)	153,433	2	219,360	3
2200	Other payables (Note 6(23))	867,461	9	819,754	8
2220	Other payables to related parties (Note 7)	117,413	1	20,440	-
2281	Current lease liabilities (Note 6(15))	3,252	-	-	-
2282	Current lease liabilities- related parties (Note 6(13)&7)	80,467	1	37,143	0
2300	Other current liabilities	96,227	1	37,143	0
	Total current liabilities	3,783,109	38	3,828,897	39
	Noncurrent liabilities:				
2540	Long-term borrowings, excluding current Installments (Note 6(14)&8)	2,022,530	19	2,028,151	20
2570	Deferred tax liabilities	10,348	-	10,335	-
2581	Noncurrent lease liabilities (Note6(15))	1,100	-	-	-
2582	Noncurrent lease liabilities – related Parties (Note 6(15)&7)	248,112	3	-	-
2600	Other noncurrent liabilities	29,383	-	31,457	-
	Total noncurrent liabilities	2,311,473	22	2,069,943	20
	Total liabilities	6,390,487	60	6,159,145	59
	Equity: (Note 6(18))				
	Equity attributable to shareholders of The Parent.:				
3110	Ordinary stock	3,206,745	30	3,206,745	31
3200	Capital surplus	2,736	-	2,734	-
	Retained earnings				
3310	Legal reserve	219,095	2	219,095	2
3350	Unappropriated retained earnings	742,371	7	692,009	7
3400	Other components of equity	52,804	-	5,280	-
	Total equity attributable to shareholders of The Parent:	4,223,751	39	4,125,863	40

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Balance Sheets

December 31, 2019 and 2018

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

See accompanying notes to the consolidated financial statement.

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Statements of Comprehensive Income

December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	**Amount**	%
4000	**Revenue (Note 6 (20), 7)**	$ 13,058,534	100	12,252,741	100
5000	**Cost of sales** (Note 6(6),(8),(9),(10),(13),(15),(16),(21) 7&12)	(11,220,817)	(86)	(10,597,700)	(86)
	Gross profit	1,837,717	14	1,655,041	14
5910	Less: Unrealized sales gains	(10,908)	-	(2,200)	-
	Achieve operating margins	1,826,809	14	1,652,841	14
	Operating expenses: (Note 6 (4),(8),(9),(10),(13),(14),(15)(16)(21),7&12)				
6100	Marketing expenses	(485,919)	(4)	(372,560)	(3)
6200	General and administrative expenses	(163,375)	(1)	(153,448)	(1)
6300	Research and development expenses	(662,801)	(5)	(617,391)	(6)
6400	Other operating expenses	-	-	48,673	1
	Total operating expenses	(1,312,095)	(10)	(1,094,726)	(9)
	Operating income	514,714	4	558,115	5
	Non-operating income and loss (Note 6 (7),(13),(22)&7):				
7010	Other income	31,996	-	42,869	1
7020	Other gains and losses – net	(44,372)	-	(100,483)	(1)
7050	Finance costs	(78,930)	(1)	(68,524)	(1)
7070	Shar of loss of associates & joint ventures accounted for using equity method	(102,798)	(1)	(68,352)	(1)
		(193,104)	(2)	(194,490)	(2)
	Income (loss) Before income tax	321,610	2	363,625	3
7950	**Less: income tax expense** (Note 6(19))	(64,486)		(35,046)	-
	Net Income (loss)	257,124	2	328,579	3
	Other comprehensive income:				
8310	**Items that will not be reclassifies to profit or loss (Note 6(16)(18))**				
8311	Remeasurement of defined benefit obligations	(2,297)	-	(2,762)	-
8316	Unrealized gain on equity instrument investment measured at fair value through other comprehensive income	22,832	-		
8330	Share of loss of associates of subsidiaries accounted for using equity method	(1,562)	-	595	-
8349	Income tax related to components of items not to be reclassified	-	-	-	-
		18,973	-	(2,167)	
8360	**Items that may be reclassified subsequently to profit or loss** (Note 6(16),(18))				
8361	Exchange differences on translating the financial statements of foreign operations	(58,149)	-	(42,731)	(1)
8399	Income tax related to components of items may be reclassified	-	-	-	-
		(58,149)	-	(42,731)	(1)
	Other comprehensive income (loss), net of tax	(39,176)	-	(44,898)	(1)
8500	**Total comprehensive income (loss)**	$ **217,948**	2	283,681	2
	Earnings per share (expressed in New Taiwan dollars, Note 6(21))				
9750	**Basic earnings per share**	$	**0.80**		**1.02**
9850	**Diluted earnings per share**	$	**0.80**		**1.02**

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Statements of Comprehensive Income

December 31, 2019 and 2018

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

See accompanying notes to the consolidated financial statements

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Statements of Changes in Equity

December 31, 2019 and 2018

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

			Retained earnings			Other equity				
	Common shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Subtotal	Exchange differences on translation of foreign financial statements	Unrealized gains (lossess) from financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Subtotal	Total equity
For the year ended January 1, 2018	$ 3,206,745	2,723	166,582	704,580	871,162	64,015	-	(13,837)	50,178	4,130,808
Adjustments on initial application of new standards	-	-	-	(30)	(30)	-	-	-	-	(30)
Adjusted balance at January 1, 2018	$ 3,206,745	2,723	166,582	704,550	871,132	64,015		(13,837)	50,178	4,130,778
Appropriations of earnings										
Legal reverse	-	-	52,513	(52.513)	-	-	-	-	-	-
Cash Dividends	-	-	-	(288.607)	(288,607)	-	-	-	-	(288,607)
Changes in other capital surplus:										
Changes in joint ventures accounted for under equity method	-	10	-	-	-	-	-	-	-	10
The difference between the actual acquired equity price and the carrying value of the subsidiary	-	1	-	-	-	-	-	-	-	1
Consolidated net price	-	-	-	328,579	328,579	-	-	-	-	328,579
Other comprehensive income (loss)	-	-	-	-	-	(42,731)	-	(2,167)	(44,898)	(44,898)
Total comprehensive income (loss)	-	-	-	328,579	328,579	(42,731)	-	(2,167)	(44,898)	283,681
For the year ended December 31,2018	3,206,745	2,734	219,095	692,009	911,104	21,284	-	(16,004)	5,280	2,125,863
Adjustments on initial application of new standards	-	-	-	(19,779)	(19,779)	-	-	-	-	(19,779)
Adjusted balance at January 1, 2019	3,206,745	2,734	219,095	672,230	891,325	21,284	-	(16,004)	5,280	4,106,084
Appropriations of earnings,										
Legal reverse	-	-	32,858	(32,858)	-	-	-	-	-	-
Cash Dividends	-	-	-	(192,405)	(192,405)	-	-	-	-	(192,405)
Changes in other capital surplus:										
Change in joint ventures accounted for under equity method.	-	2,885	-	-	-	-	-			2,885
The difference between the actual acquired equity price and the carrying value of the subsidiary	-	(1)	-	(3,543)	(3,543)	-	-			(3,544)
Consolidated net prices	-	-	-	257,124	257,124	-	-	-	-	257,124
Other comprehensive income(loss)	-	-	-	-	-	(58,149)	22,832	(3,859)	(39,176)	(39,176)
Total comprehensive income (loss)	-	-	-	-	257,124	(58,149)	22,832	(3,859)	(39,176)	217,948
Balance at March 31, 2019	**$ 3,206,745**	**5,618**	**251,953**	**700,548**	**952,501**	**(36,865)**	22,832	**(19,863)**	**(33,986)**	**4,130,968**

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Statements of Changes in Equity

December 31, 2019 and 2018

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

See accompanying notes to the consolidated financial statements

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Statements of Cash Flows

December 31, 2019 and 2018

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

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 321,610	363,625
Adjustments for:		
Depreciation	466,004	369,278
Amortization	20,284	19,828
Reversal gains on expected credit impairment	18	91
Loss on financial instruments at fair value through profit or loss	11,125	4,436
Interest expense	78,930	68,524
Interest income	(843)	(482)
Share of profit of associates and joint ventures accounted for using equity method	102,798	68,352
Gains on disposals of property plant and equipment	-	15
Unrealized sales gains	10,908	2,200
Expense transferred from amortized other non-current assets	95,026	76,008
Amortization of syndication commission cost	1,900	6,019
Bargain purchase gains	-	(253)
Subtotal of income and expense (loss) items	786,150	614,016
Changes in operating assets and liabilities:		
Changes in operating assets:		
- increase in notes and accounts receivable	(147,636)	(688,506)
- decrease in accounts receivables from related parties	355,126	1,204,757
- decrease (increase) in other accounts receivables	(188)	1,482
- decrease (increase) in other accounts receivables from related parties	63,011	(163)
- decrease (increase) in inventories	6,543	(152,787)
- increase in other current assets	(1,013)	(25,044)
Subtotal of changes in operating assets	275,843	339,739
Changes in operating liabilities:		
- increase (decrease) in accounts payable	(267,975)	598,247
- increase (decrease) in accounts payable from related parties	(65,927)	38,591
- increase (decrease) in other accounts payable	(2,515)	57,647
- increase in other accounts payable from related parties	96,973	9,902
- decrease in current provisions	-	(48,694)
- increase in other current liability	59,084	3,368
- decrease in defined provisions for benefits	(1,983)	(1,553)
Subtotal of changes in operating liabilities	(182,343)	657,508
Subtotal of changes in operating assets and liabilities	93,500	997,247
Subtotal of adjustment items	879,650	1,611,263
Cash generated from operation	1,201,260	1,974,888
Cash received from interest income	843	482
Cash paid for interest	(78,641)	(68,945)
(Payment) Refunded Income tax	(12,863)	42
Net cash provided by operating activities	1,110,599	1,906,467

(Continued)

See accompanying notes to the consolidated financial statements

BENQ MATERIALS CORP. AND SUBSIDIARIES

Individual Statements of Cash Flows (Continued)

December 31, 2019 and 2018

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

	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(78400)	-
Investment by using equity method	-	(498,716)
Acquisitions of property, plant and equipment	(478,806)	(350,623)
Disposals of property plant and equipment	3,850	665
Decrease (increase) in refundable deposits	(808)	18,870
Increase in intangible assets	(34,520)	(19,848)
Decrease in other financial assets	1,205	2,363
Increase in other non-current assets	(105,211)	(84,895)
Dividends received	1,997	-
Net cash used in investing activities	(690,693)	(932,184)
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(925,040)
Proceeds from long-term debt	300,000	2,200,000
Repayments of long-term debt	(340,000)	(2,100,000)
Repayments of lease liabilities	(86,644)	-
Payment of cash dividends	(192,405)	(288,607)
Purchase subsidiary from non-controlling interests	(59,614)	-
Net cash flows from financing activities	(378,663)	(1,113,647)
Net decrease in cash and cash equivalents	41,243	(139,364)
Cash and cash equivalents at beginning of period	96,380	235,744
Cash and cash equivalents at end of period	**$ 137,623**	**96,380**

See accompanying notes to the consolidated financial statements

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

1. Organization and business

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

2. Approval of financial statements

These individual financial statements were approved and authorized for issue by the Board of Directors of BenQ on February 25, 2020.

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

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

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

New, Amended and Revised Standards, and Interpretations	Effective Date Issued by IASB
International Financial Reporting Standards16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

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

A. International Financial Reporting Standards 16 "Leases"

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

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

a. Definition of a lease

A contract on the commencement date, whether a lease (or inclusive), which has been identified as a lease by the Company based on the previous adoption of IFRIC 4 is subject to IFRS 16, as explained in Note 4(11).

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

b. As a lessee

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

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

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

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

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

c. As a lessor

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

d. Impacts on financial statements

On transition to IFRS 16, the Company recognized $330,051 thousand and $348,868 thousand of right-of-use assets and lease liabilities, respectively, decrease $962 thousand in investment equity method, and decrease $19,779 thousand in retained earnings, respectively, at the date of initial application. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized by the Company on January 1, 2019 is 1.79%.

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

	January 1, 2019	
Operating lease commitment on December 31, 2018 as disclosed in the Company's consolidated financial statements	$	367,069
Recognition exemption for:		
Short-term leases		(5,059)
	$	362,010
Discounted using the incremental borrowing rate on January 1, 2019 (The amounts of lease liabilities recognized as of January 1, 2019)	$	348,868

(2). Effect to IFRSs as endorsed by the FSC but not yet adopted by the Group.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1,2020 in accordance with Ruling No.1080323028 issued by the FSC on July 29,2019.

New, Revised or Amended Standards and Interpretations	**Effective Date Per IASB**
Amendments to IFRS 3, "Definition of a business"	January 1, 2020
Amendments to IFRS 9, IFRS 39 and IFRS 7" Interest rate benchmark reform"	January 1, 2020
Amendments to IAS 1 and IAS 8, "Disclosure Initiative-Definition of Material"	January 1, 2020

The company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its financial statement.

(3). New IFRSs in issues but not yet endorsed and issued into effect by the FSC

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

New, Revised or Amended Standards and Interpretations	**Effective Date Per IASB**
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by IASB
IFRS 17, "Insurance contracts"	January 1, 2021
Amendments to IAS 1, "Liabilities as current or non-current"	January 1, 2022

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

Release Dates	Standards or Interpretations	Content of amendment
January 23, 2020	Amendments to IAS 1 "Liabilities as current or non-current"	The amendments are to improve the consistency of the application standard to assist companies in determining whether debts or other liabilities with uncertain settlement dates should be classifies as current (or those may expired in one year) or non-current. The amendments are also clarifying the classification requirements for debts that companies may convert to equity.

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

4. Summary of Significant Accounting Policies:

The principle accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The separate financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations")

(2) Basis of consolidation

A. Basis of evaluation

Except for the following item of balance sheets, these independent financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets measured at fair value.

(c) Net defined benefit liability is measured by the present value of defined benefit obligation, and deducting the net basis after retirement fund fair value and by measuring the impact of the upper limit described in note 4 (16).

B. Functional currency and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The separate financial statements are presented in "New Taiwan Dollars (NTD)", which is the Company's functional and presentation currency.

(3) Foreign currency

A. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign currency non-monetary items measured at fair value are converted into functional currencies at the exchange rate on the date when the fair value was measured, and foreign currency non-monetary items are measured at historical cost.

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

B. Translation of foreign operations

Assets and liabilities of foreign operation, including the goodwill at the time of acquisition and fair value adjustments, are converted into the expression currency of the individual's financial report based on the exchange rate at the reporting date; the income and expense items are converted into the expression currency of the individual reported based on the average exchange rate of the current period, and the conversion differences arising are recognized as other comprehensive profit or loss.

When the disposal of a foreign operation results in loss of control or significant impact, the cumulative exchange difference related to that foreign operating agency is fully reclassified as profit or loss. When the partial disposal including the subsidiaries of foreign operation, the relevant accumulated conversion difference is re-attributable to non-controlling interested in proportion. When the disposal part contains the joint ventures investments of foreign operation institution, the relevant cumulative conversion difference is reclassified to profit or loss on a percentage.

For monetary receivable or payables of foreign operation, if there is no settlement plan and there is no foreseeable future to pay off, the foreign currency exchange profit or losses are considerate as a part of net investment to the foreign operation, and recognized as other comprehensive income.

(4) Classification of current and non-current items

Assets that meet on of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed as non-current assets:
B. Assets held mainly for trading purposing;
C. Assets that are expected to be realized within 12 months from the end of the financial reporting period;
D. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the financial reporting period.

Liabilities that meet one of the following criteria are classified as current liabilities:

A. Liabilities that are expected to be settled within the normal operating cycle;
B. Liabilities arising mainly from trading activities;
C. Liabilities that are to be settle within twelve months from the balance sheet date;
D. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) Financial instrument

Accounts receivables and debt securities issued were originally recognized when incurred. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL ar recognized immediately in profit or loss.

A. Financial assets

At initial recognition, financial assets have divided into: financial assets at amortized costs, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. On a regular way purchase or sales basis, or financial assets, which are recognized and derecognized using trade date accounting

The company reclassifies all affected financial assets only from the first day of the next reporting period when changing the business model for managing financial assets.

(a) Financial assets at amortized cost

When the financial assets meet the following criteria and that are not measure at fair value through profit or loss:

- The objective of the Group's business model is achieved by collecting contractual cash flows.
- The assets' contractual cash flow represent solely payment of principal and interest.

Subsequent to the initial recognition of these assets, the effective interest rate method is adopted to measure the amortized cost less impairment losses. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit or loss. When delisting, include benefits or losses in profit or loss.

(b) Financial assets at fair value through other comprehensive income

When the debt instrument investment meets the following criteria and is not measure at fair value through profit or loss, it is measured at fair value through other comprehensive profit or loss:

- The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- The assets' contractual cash flows represent solely payment of principle and interest.

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments.

Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Investors who are equity instruments are subsequently measured at fair value. Dividend income (unless it clearly represents a recovery of part of the investment cost) is recognized in profit or loss. The remaining net profit or loss is recognized as other comprehensive profit or loss. When it is removed, the other comprehensive profit or loss accumulated under equity is reclassified to retained earnings and not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date the company is entitled to receive dividends (usually the ex-dividend date).

(c) Fair value through profit or loss financial assets

Financial assets those are neither measured at amortized cost or financial assets measured at fair value through other comprehensive profit or loss, which is through fair value through profit or loss, including derivative financial assets. The company in the initial recognition, in order to eliminate or reduce the improper accounting ratio, the financial assets that meet the conditions measured at amortized cost or measured at fair value through other comprehensive profit or loss may be irrevocably designate as fair value through profit or loss. Financial assets measured by value.

These assets are subsequently measured at fair value, and the net profit or losses (including any dividends and interest income) generated are then recognized as profit or loss.

(d) Evaluate whether the contract cash flows are fully interested paid on principle and outstanding principle

According to the evaluation purpose, the principal is the fair value of the financial asset at the time of original recognition, and the interest is composed of the following considerations: the time value of money, credit risk related to the amount of principal outstanding in a certain period, other basic lending risk and cost, and profit margin.

Evaluate the contract cash flow is entirely the interested paid on the principal and outstanding principal amount. The company considers the contractual terms of the financial instrument, including assessing whether the financial asset contains a contractual term that can change the item or amount of the contractual cash flow, which cause it to fail. The company considers as below when evaluated:

- Any contingency that will change the time or amount of contractual cash flows;
- Possible to adjust the terms of contract coupon rate, including the characteristics of changing interest rates;
- Early repayment and extension feature; and
- The company's claim is limited to the terms derived from the cash flow of specific assets (such as the non-resource feature)

(e) Impairment of financial assets

The Company's financial assets measured at amortize costs (including cash and cash equivalent, noted receivable and accounts receivable, other receivables, refundable deposits and other financial assets) and credit losses are recognized as allowance losses.

The following financial assets are measure as allowance based on the twelve-month expected credit losses amount, and the rest are measured based on the expected credit loss amount during the lifetime:

・The credit risk of bank deposits (the risk of a default occurring during the expected duration of financial instrument) has not increased significantly since its original recognition.

Allowance losses on accounts receivables are measured based on the expected credit losses during the lifetime.

Lifetime expected credit losses refers to expected credit losses from all possible defaults of the financial instrument lifetime.

Twelve Month expected credit losses refers to the expected credit loss arising from a possible default of a financial instrument within twelve months after the reporting date (or a shorter period if the financial instrument lifetime is shorter than twelve months).

The longest period for measuring expected credit losses is the longest contract period during which the Company is exposed to credit risk.

When determining whether credit risk has increased significantly since the original recognition, the company considers reasonable and evidence-based information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and based on the company's historical experience, analysis of credit assessments and forward-looking information.

Expected credit losses are weighted estimates of the probability of credit losses during the expected life of a financial instrument. Credit losses are measured at the present value of all short-term cash receipts, which is the difference between the cash flows that the company can receive under the contract and the cash flows that the company expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

Allowance losses for financial assets measured at amortized cost are deducted from the carrying amount of the asset.

When the company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total book value of its financial assets. The company analyzes the timing and amount of write-offs individually on the basis of whether it is reasonably expected to be recoverable. The company expects that the written-off amount will not be materially reversed. However, the written off financial assets can still be enforced to comply with the company's procedures for recovering overdue amounts.

(f) Derecognition of financial assets

The financial asset is derecognized when the company terminates the contractual rights from the cash flow of the asset, or the financial asset has been transferred and the most of the risks and returns of the asset have been transferred to other enterprises, or the ownership neither transferred nor maintained the risks and returns and the control.

The company signs the transaction of transferring financial assets. If it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized in the balance sheet.

B. Financial liabilities and equity instruments

(a) Classification of liabilities or equity

The company issued debt and equity instruments define the substance of the Department of contractual agreements with financial liabilities and equity instruments based on the classification as a financial liability or equity. An equity instrument is any contract that recognizes the company's assets after deducting all liabilities from its remaining equity. Equity instruments issued by the Company are recognized at the amount obtained after deducting direct issue costs.

(b) Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and related net benefits and losses, including any interest expenses, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and conversion gains and losses are recognized in profit or loss. Any benefits or losses at the time of delisting are also recognized in profit or loss.

(c) Derecognition of financial liabilities

The company excludes financial liabilities when contractual obligations have been fulfilled, cancelled or expired. 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 are excluded, and new financial liabilities are recognized at fair value based on the revised terms. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(d) Offsetting financial instruments

Financial assets and financial liabilities can only be offset and expressed on the balance sheet when the company currently has legally enforceable rights to offset each other and intends to deliver the net amount or to realize assets and settle liabilities simultaneously.

C. Derivative financial instruments

The company holds derivative financial instruments in order to avoid the risk of foreign currency exchange rate risks. Derivative instruments are initially recognized at fair value, and transaction costs are recognized as profit or loss; subsequent measurement is based on fair value, and the benefits or losses arising from remeasurement are directly included in profit or loss. When the fair value of a derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

(7) Inventories

Inventories are measured item by item at the lower of cost and net realizable value. Cost includes the acquisition, production or processing costs and other costs incurred to bring it to a place and condition that can be used and is calculated using the weighted average method. Among them, fixed manufacturing costs are allocated to finished products and work-in-progress based on the normal production capacity of the production equipment or the higher of the actual output, and variable manufacturing costs are allocated on the basis of actual production. Net realizable value refers to the balance of the estimated selling price under normal operations less the estimated costs to be completed after completion and the selling expenses required to complete the sale.

(8) Investments in associates and joint ventures

Joint ventures mean the company has significant influence on its financial and operating policies, except a controlling or joint controller.

The joint venture's investment of the company is to generate as the equity method. Under the equity method, the original acquisition is recognized at cost, and the investment cost includes the cost of the transaction. The carrying amount of the joint ventures includes the goodwill identified at the time of the original investment, less any accumulated impairment losses. When the company assesses impairment, it considers the entire carrying amount (including goodwill) of the investment as a single asset, compares the recoverable amount with the carrying amount, and conducts an impairment test. The identified impairment loss is used as a reduction in the carrying amount of the investment. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment subsequently increases.

From the date when the company has significant influence on the date when it loses significant influence, after adjusting for consistency with the company's accounting policies, the amount of profit or loss and other comprehensive profit or loss of each investment related company is recognized according to the equity ratio. When the related company's equity changes in non-profit or loss and other comprehensive profits and losses do not affect the company's shareholding ratio, the company would recognize all changes in equity as capital reserve based on the shareholding ratio.

Unrealized benefits and losses arising from exchanges between the Company and joint ventures are recognized in the financial statements only within the scope of non-relevant investors to joint ventures.

When the company should recognize the loss share of the joint ventures in proportion to or exceeds its equity in the joint ventures, it will stop recognizing its loss, and only in the event of statutory obligations, deductions or payments on behalf of the investee company.

When an joint ventures issue new shares, if the company does not subscribe according to the shareholding ratio, which causes the shareholding ratio to change and thereby increase or decrease the net equity of the investment, its increase or decrease adjusts the capital reserve and the investment using the equity method; If the adjustment is a reduction of capital reserve, but the balance of capital reserve generated by an investment using the equity method is insufficient, the difference is debited to retained earnings. However, if the company does not subscribe according to the shareholding ratio, which reduces its ownership interest in the related company, the amount previously recognized in other comprehensive profit and loss related to the related company is reclassified in accordance with the reduction ratio, and the basis of accounting is the same as that required for related companies to directly dispose of related assets or liabilities.

(9) Subsidiary investment

When editing the individual financial report, the company adopts equity method to evaluate the investee company. The carrying amount of the subsidiary investment includes the initial goodwill of identified at the time of the initial investment, less any accumulated impairment losses. The current profit and loss and other comprehensive profit and loss of the individual financial report and the consolidated basis are the same as those in the financial report prepared by the consolidated base under the equity method.

The change of ownership to the subsidiaries do not cause the loss of control as equity transactions with the owners.

(10) Property, plant and equipment

A. Recognition and measurement

Real estate, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.
When the major components of real estate, plant and equipment have different durability, they are treated as separate items (main components) of real estate, plant and equipment. Gains or losses on the disposal of real property, plant and equipment are recognized in profit or loss.

B. After cost

The after cost only be capitalized when the future economic benefit of after cost are likely to flow into the company.

C. Depreciation

Depreciation is calculated based on the cost of assets subtract residual value, and recognized as profit or loss over the estimated limit year by using straight-line method. Except the land does not need to be depreciated, the remaining estimated the durable year is: machinery and equipment, 3 to 10 years; other equipment, 2 to 10 years; and houses and buildings are depreciated based on the durable year; main building, 20 to 40 years; mechanical and electrical engineering and other projects, 10 to 20 years. Depreciation method, durability and residual value are reviewed at each reporting day, and the impact of any estimated change is postponed.

(11) Leases
Policy applicable from January 1, 2019

A. Identifying a lease

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

(a) The contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(b) The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

(c) The Company obtained an identified asset if either the following conditions is satisfied:

- The Company has the right to direct the use of identified asset throughout the period of use.

- The main decision about how and the purpose of the asset is used is predetermined, and

- the Company has the right to use the identified asset, and the supplier does not have a substantive right to substitute the asset; or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

B. As a lessee

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

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

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

The lease payments are as follow:

(a) fixed payments;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

(a) if there is a change in future lease payments arising from a change in an index or a rate;
(b) if there is a change in the amounts expected to be payable under a residual value guarantee;
(c) if there is a change in the assessment of underlying asset purchase option;

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

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

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

C. As a lessor

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

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

Policy applicable from January 1, 2019

(a) As a lessor

Operating income under operating lease contract were recognized as expense on a straight-line basis. The initial direct costs incurred as a result of consensus and arrangement of operating leases are added to the carrying amount of the leased asst and recognized as an expense on a straight-line basis over the lease term.

(b) As a lessee

According to the lease conditions, when the company bears most ownership risks and rewards, it is classified as a finance lease. The leased asset is measured at the loser of the fair vale and the present value of the minimum lease payment, after treated in accordance with the accounting related to the asset.

Payments under operating lease contracts (exclude services costs such as insurance and maintenance) were recognized as expenses on a straight-line basis.

The minimum lease payments for finance leases are prorated to finance costs and reduce unliquidated liabilities. Finance cost are allocated to each lease period based on the balance of liabilities at a fixed period of interest. Or the lease payments should be recognized as current expenses when the lease adjustment is determined.

(12) Intangible assets

The intangible assets of the company is measured with the cost subtract accumulated amortization and accumulated impairment. The amortization amount is estimated on the durability year by using straight-line method, and the amortization amount is recognized in profit or loss: purchased software, 1 to 3 year; other intangible assets, 5 years.

The Company reviews the residual value, useful life and amortization method of intangible assets on each reporting day, and adjusts appropriately when necessary.

(13) Impairment of non-financial assets

A. Goodwill

Goodwill has to test on an impairment tests each year. When performing an impairment test, goodwill should be allocated to each cash-generating unit (or group of cash-generating units) to which the company expects to benefit from the consolidated synergy. An impairment is recognized when recoverable amount is lower than carrying amount. Impairment loss should not be reverse in the future. If the recoverable amount of the cash-generating unit is lower than it carrying amount, the recognized impairment loss is to reduce the proportion of the carry amount of assets in the units. Goodwill impairment losses are immediately recognized as current losses and cannot be reversed in subsequent periods.

B. Other tangible and intangible assets

The recoverable amounts are individual assets or the cash-generating units which is the value subtract the cost of sale and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, either the individual asset or the recoverable of cash-generating unit is lower than carrying amount, it would be adjusted into impairment loss. Impairment loss would be recognized as current profit or loss.

The company would re-evaluate any indication that the impairment loss recognized by non-financial assets except the goodwill in previous years no longer exists or has decreased at each reporting day. Then the impairment loss is reversed to increase the individual asset or cash-generating unit. The carrying amount is up to its recoverable amount, but it does not exceed the carrying amount after depreciation or amortization if the individual asset or cash-generating unit did not recognize the impairment loss in the previous year.

(14) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. The recognition of liability provisions is due to the current obligations of past events and making it likely the company will need to outflow economically efficient resources to settle the obligation, and the amount of the obligation can be estimated reliably.

Restructuring liabilities are recognized when the company approves a detailed and formal reorganization plan, and when the reorganization plan starts or is publicly released. Future operating losses shall not be recognized as a provision for liabilities.

(15) Revenue recognition

A. Revenue from contracts with customers

The company recognizes revenues when the control of the product is transferred. The control transfer of the product means that the product has been delivered to the customer and has not affected the customer's unfulfilled obligations to accept the product. 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.

Revenue is recognized based on the contract price subtract the estimated amounts of discounts and net discounts. The amounts of discounts and price is estimated at the expected value from the experienced accumulated, and it is probably that the revenue is recognized to no significant turnaround. As of the reporting date, the relevant amount of sales discount and allowance are expected to be paid to customer, which are recognized as refund liabilities (account for other current liabilities).

The company should recognize as the accounts receivable when the product is delivered, because the company has the right to receive the consideration unconditionally at that point in time.

B. Government grants

Government grant is only recognized when the company will comply with the conditions attached when it is reasonably certain, and it will be received the grant. If the government grant is used to compensate the expenses or loss, or for the purpose of providing immediate financial support to the company, then there are no future related costs, it is recognized in profit or loss during the period.

(16) Employee benefit

A. Defined contribution plans

The obligation to define the provision of a retirement plan is recognized as an employee benefit expense under profit or loss during the period that the employee provides services.\

B. Defined benefits plans

Determining the obligation under a defined benefit retirement plan is the discount value of future benefit amounts earned by employees for current or previous periods of service for each benefit plan, and the amount will be calculated which subtract any fair value of any plan assets. The discount rate is mainly based on the market yield of government bonds with maturity date, which is close to the obligation period of the company, and the denomination currency is the same as the excepted payment of welfare benefits.

The net obligation of a defined benefit plan is actuarially calculated by a qualified actuary using the projected unit benefit method each year.

When the benefits of the plan are improved, and the benefits are increased due to employees' past services, the related expenses are immediately recognized as profit or loss.

The remeasurement of net determined benefit liabilities (assets) includes (1) actuarial gains and losses; (2) planning asset returns, excluding the amount of net interest in defined benefit liabilities (assets); and (3) limit impact of asset in any change in the amount, excluding the amount of net interest which is included in the defined benefit liability (asset). The re-measurement of net defined benefit liabilities (assets) is recognized in other comprehensive profit or loss and recognized in other equity.

When a reduction or settlement occurs, the company recognizes the reduction or settlement gain or loss that defines the benefit plan. Reduced or settled gains and losses include changes in the fair value of any planned asset and changes in the present value of defined benefit obligations.

C. Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as an expense when the related services are provided. The amount expected to be paid under the short-term cash dividend or dividend plan is recognized as a liability if the company has a current statutory or constructive payment obligation due to past service provided by the employee, and the obligation can be estimated reliably.

(17) Income tax

Income tax includes current and deferred income tax. Except the corporation acquisition, recognized directly in equity or other comprehensive profit or loss, current income tax and deferred income tax should be recognized in profit or loss.

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

Deferred income tax is measured and recognized based on temporary differences in the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred income tax is not recognized as a temporary difference due to:

A. The transaction of non-business acquisition which is initial recognized as assets or liabilities, and it do not affect accounting profits and taxable income (loss);

B. Due to temporary differences arising from investments in subsidiaries, associated companies and joint venture interests, the company can control the point in time at which the temporary differences revert and it is likely that they will not revert in the foreseeable future; and

C. Taxable temporary differences arising from the original recognition of goodwill.

Deferred income tax is measured at the tax rate at the time when the expected temporary difference is reverted, using the statutory tax rate or substantial legislative tax rate at the reporting date, and has reflected income tax related uncertainties.

The company will only offset deferred income tax assets and deferred income tax liabilities only when the following conditions are simultaneously met:

A. Have statutory enforcement rights to offset current income tax assets and current income tax liabilities; and

B. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxable entities that are subject to income tax by the same tax authority:

(a) the same taxpayer; or

(b) Different taxpayers, but each entity intends to settle current income tax liabilities and assets on a net basis for each future period in which a significant amount of deferred income tax assets is expected to be recovered and deferred income tax liabilities are expected to be settled, or both assets and liquidation liabilities.

For the unused tax losses and unused income tax deductions at the later stage of the transfer, temporary differences from deductible are recognized as deferred income tax assets to the extent that it is likely that future taxable income will be available for use. It will be re-evaluated at each reporting date to reduce the relevant income tax benefits to the extent that it is not likely to be realized; or to reduce the original reduced amount to the extent that it is likely to have sufficient taxable income.

(18) Business combinations

The company uses the acquisition method to handle business mergers. Goodwill is the fair value of the consideration transferred based on the acquisition date, including the amount of any non-controlling interests attributable to the acquiree, net of identifiable assets acquired, and liabilities assumed (general in fair value). If the balance after deduction is negative, the company will re-evaluate whether it has correctly identified all the assets acquired and all the liabilities assumed before it recognizes 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 a business combination should be recognized as expenses of the company immediately when incurred.

Among the non-controlling interests of the acquiree, if it is the current ownership interest, and its holders are entitled to enjoy the net assets of the enterprise in proportion to the shares at the time of liquidation, the company chooses the fair Value is measured by the current ownership instrument's proportionate share of the recognized amount of the acquiree's identifiable net assets. Other non-controlling interests are measured on the basis of their fair value at the acquisition date or on other basis as required by the International Financial Reporting 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 combined company shall recognize the incomplete accounting treatment items with a provisional amount and retrospectively adjust or recognize additional assets or liabilities during the measurement period. To reflect new information about facts and circumstances that existed on the acquisition date during the measurement period. The measurement period shall not exceed one year from the acquisition date.

(19) Earnings per share

The company presents the basic and diluted earnings per share attributable to the holders of ordinary shares of the company. Basic earnings per share is calculated by dividing the profit or loss attributable to the holders in the initial shares of the company by the weighted average number in the current period. Diluted earnings per share is calculated by adjusting the impact of all potential dilutive ordinary shares on the profit and loss and weighted average number of outstanding common shares to the common equity holders of the Company. The Company's potentially dilutive common stock is an option to remunerate employees.

(20) Segment information

The company has disclosed the department information in the consolidated financial report, so the individual financial report does not disclose the department information

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

The management team should make judgement, estimates and assumptions when preparing this individual financial report in accordance with the compilation standards, which will affect the adoption of accounting policies and the report amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

The management continued to review estimates and their underlying assumptions, changes in accounting estimates and changes to be recognized during the period of change and affected future periods.

Accounting policies involve significant judgment and of the individual financial statements have been recognized had a significant impact on the amount of information as follows:

(1) Judgement on whether the associated company has significant influence

The company holds less than 20% of the voting rights for Cenefom Corporation Limit and Visco Vision Inc., but the company has significant influence on it as the company's director and participates in decision-making.

For the uncertainty of assumptions and estimates, there are significant risks that may cause significant adjustments in the next year:

1. Evaluation of inventory

Since the inventory must be priced at the lower of cost and net realizable value, the company evaluates the amount of inventory on the reporting date due to substandard quality, outdated or no market value, and offsets the cost of inventory to the net realizable value. This inventory evaluation is mainly based on the product demand in a specific period in the future, but may change significantly.

2. Impairment assessment of real estate, plant and equipment and intangible assets of subsidiaries

In the process of asset impairment evaluation, the company must rely on subjective judgments and determine the independent cash flow of a specific asset group, the number of years of asset durability, and the future income and expenses that may arise from any specific asset group.

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	2019.12.31	2018.12.31
Revolving funds	$ 200	373
Demand deposits and checking accounts	137,423	96,007
	$ 137,623	96,380

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

	2019.12.31	2018.12.31
Financial assets mandatorily measured at fair value-current:		
Foreign currency forward contracts	$ 2,173	14,691
Foreign exchange contracts	6,523	4,499
	$ 8,696	19,190
Financial liabilities held for trading-current:		
Foreign currency forward contract	$ (1,991)	(1,360)

Refer to noted 6 (23) for the amounts of gain(loss) recognized related to financial asset measured at fair value

A. Derivate financial instruments

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

(a) Foreign currency forward contracts

2019.12.31		
Contract amount (in thousand)	**Currency**	**Maturity date**
USD$ 1,000	Sell RMB/Buy USD	2020.01.10
USD$ 33,000	Sell JPY/Buy USD	2020.01.22~2020.03.24
USD$ 9,000	Sell NTD/Buy USD	2020.01.14~2020.01.22

2018.12.31		
Contract amount (in thousand)	**Currency**	**Maturity date**
USD$ 3,300	Sell RMB/Buy USD	2019.01.11
USD$ 44,500	Sell JPY/Buy USD	2019.01.24～2019.03.22
USD$ 6,000	Sell NTD/Buy USD	2019.01.24

(b) Foreign exchange contract

2019.12.31		
Contract amount (in thousand)	**Currency**	**Maturity date**
USD$ 43,000	Sell NTD/Buy USD	109.01.31

2018.12.31		
Contract amount (in thousand)	**Currency**	**Maturity date**
USD$ 43,000	Sell NTD/Buy USD	108.01.31

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

		2019.12.31	2018.12.31
Equity instruments measured at fair value through other comprehensive profit or loss:			
Domestic stocks company shares	$	101,232	-

The equity investment held by the company is a strategic investment and is not held for trading purposes, so it has been designated to be measured at fair value through other comprehensive profit or loss.

The Company did not dispose of strategic investments in the year 2019. The accumulated benefits and losses during this period have not been transferred in equity.

(4) Notes and accounts receivable

		108.12.31	107.12.31
Notes receivable	$	3,499	7,478
Accounts receivable		1,580,972	1,504,823
Less: loss allowance		(139)	(121)
		1,584,332	1,512,180
Accounts receivable from related parties		292,984	664,415
	$	1,877,316	2,176,595

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

	2019.12.31		
	Carrying amount of accounts and note receivable	**Weighted average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 1,877,455	0.0074%	139

	107.12.31		
	Carrying amount of accounts and note receivable	**Weighted average loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 2,176,716	0.006%	121

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

	2019	2018
Balance at beginning of the period (per IAS 39)	$ 121	-
Adjustment on initial application of IFRS 9	-	30
Balance at beginning of the period (per IFRS 9)	121	30
Reversal of loss	18	91
Balance at end of the period	$ 139	121

C. The Company signed a contract with the financial institution to sell certain accounts receivable without recourse. According to the contract, the Company does not have to bear the risk that the accounts receivable cannot be recovered, only needs to bear the losses caused by commercial disputes. Therefore, the contract met the condition of financial asset derecognition, details of the contract was as follows:

2019.12.31

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

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

(5) Other accounts receivable

	2019.12.31	2018.12.31
Other accounts receivable – factored accounts receivable, net of advance (Note 6(4)&7)	$ 226,576	134,805
Other accounts receivable- other	198	28
Other accounts receivable- related parties	5,367	68,378
	232,141	203,211
Less: loss allowance	-	-
	$ 232,141	203,211

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

(6) Inventories

	2019.12.31	2018.12.31
Raw materials	$ 706,654	746,974
Work in process	571,837	555,216
Finished goods	439,758	422,602
	$ 1,718,249	1,724,792

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

	2019	2018
Inventories sold	$ 11,253,771	10,735,983
Allowance for inventories written down to net realizable value	(32,954)	(138,283)
	$ 11,220,817	10,597,700

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

(7) Investments accounted for using equity method

	2019.12.31	2018.12.31
Subsidiaries	$ 1,989,647	2,163,605
Joint ventures	201,712	143,505
	$ 2,191,359	2,307,110

A. Subsidiaries

Please refer year 2019 Consolidated Financial Statements.

B. Acquisition of Sigma Medical Supplies Corp. and its subsidiary (Sigma Medical)

(a) The acquisition of subsidiary transfer disclosure

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

(b) Identifiable net assets acquired in a business combination

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

Items		Amount
Cash and cash equivalents	$	119,934
Notes and accounts receivable, net		151,802
Other accounts receivable		57,515
Inventories		180,463
Other current assets		40,612
Other current financial assets		64,337
Property, plant and equipment		360,560
Intangible assets – software		295
Deferred tax assets		28,717
0ther non-current assets		27,203
Short-term borrowings		(219,193)
Accounts payable		(97,187)
Other current liabilities		(46,843)
Long-term borrowings		(104,797)
Deferred income tax liabilities		(2,780)
Other non-current liabilities		(354)
Identifiable net assets at fair value	**$**	**560,284**

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

(c) Gain recognized in bargain purchase transaction

Gain recognized in bargain purchase transaction		
Transfer consideration-case	$	498,579
Add: non-controlling interest (Identifiable net assets at fair value measured by non-equity method)		61,452
Less: acquired identifiable net assets at fair value		(560,284)
Gain recognized in bargain purchase (refer to other gains and losses)	**$**	**(253)**

(d) Changes in equities of subsidiaries

The Company acquired additional ordinary shares of SMS with cash of $38,889 thousand. As a result, the percentage of ownership in SMS was increased to 96.00% in the second quarter of 2019.

For the purpose of aggregating the group's resources and improving operating efficiency, BenQ's board of directors approved on May 6, 2019, in accordance with Business Mergers and Acquisitions Act Ruling No. 30, to purchase SMS's ordinary shares at NT$14 per share held by

the shareholders dissenting (as of September 30, 2019, cash of $20,725 thousand was paid, the residual amount of $1,670 thousand recognized in other accounts payable) on the share exchange transaction on June 17, 2019. As a result, BenQ acquired 100% shareholdings of SMS.

In the second half of 2018, the Company acquired additional ordinary shares of SMS with cash of $137 thousand, as a result, the percentage of ownership in SMS was increased to 89.06%.

C. Joint Ventures

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

	2019.12.31	2018.12.31
Carrying amount of joint ventures not individually material to the Company – end of period	$ 201,712	143,505

		2019.12.31	2018.12.31
The Company's share of:			
Net income	$	57,544	38,409
Other comprehensive income		(225)	(313)
Total comprehensive income	$	57,319	38,096

(8) Property, plant and equipment

	Land	Buildings	Machinery	Others	Total
Cost:					
Balance at January 1, 2019	$ 1,344,108	2,066,858	4,428,192	1,675,262	9,514,420
Additions	-	12,647	154,622	374,315	541,584
Disposals	-	-	(38,092)	(19,401)	(57,493)
Reclassification and effect of exchange	-	3,138	134,810	(137,948)	-
Balance at December 31, 2019	$ 1,344,108	2,082,643	4,679,532	1,892,228	9,998,511
Balance at January 1, 2019	$ 1,344,108	1,894,772	4,240,759	1,736,160	9,215,799
Additions	-	43,988	84,288	198,850	327,126
Disposals	-	-	(21,138)	(7,367)	(28,505)
Reclassification and effect of exchange	-	128,098	124,283	(252,381)	-
Balance at December 31, 2019	$ 1,344,108	2,066,858	4,428,192	1,675,262	9,514,420
Accumulated depreciation					
Balance at January 1, 2019	$ -	1,134,186	4,050,297	1,291,125	6,475,608
Depreciation	-	82,443	168,234	130,657	381,334
Disposals	-	-	(34,242)	(19,401)	(53,643)
Balance at December 31, 2019	$ -	1,216,629	4,184,289	1,402,381	6,803,299
Balance at January 1, 2018	$ -	1,057,158	3,920,324	1,156,673	6,134,155
Depreciation	-	77,028	150,431	141,819	369,278
Disposals	-	-	(20,458)	(7,367)	(27,825)
Balance at December 31, 2018	$ -	1,134,186	4,050,297	1,291,125	6,475,608
Carrying amount					
December 31, 2019	$ 1,344,108	866,014	495,243	489,847	3,195,212
December 31, 2018	$ 1,344,108	932,672	377,895	384,137	3,038,812

Balance at January 1, 2019	$ 1,344,108	837,614	320,435	579,487	3,081,644

For details of real estate, plant and equipment that have been used as long-term loans and financing line guarantees, please refer Note 8.

(9) Right-of-use assets

	Buildings
Cost of right-of-use assets:	
Balance at January 1, 2019	$ -
Adjustment on initial application of IFRS 16	414,950
Balance at January 1, 2019- restatement	414,950
Additions	10,664
Balance at December 31, 2019	$ 425,614
Accumulated depreciation- right-of-use assets	
Balance at January 1, 2019	$ -
Adjustment on initial application of IFRS 16	84,899
Balance at January 1, 2019- restatement	84,899
Additions	84,670
Balance at December 31, 2019	$ 169,569
Carrying amount:	
Balance at December 31, 2019	$ 256,045

(10) Intangible assets

	Outside purchased software	Other	Total
Cost:			
Balance at January 1, 2019	$ 148,172	7,514	155,686
Additions	34,520	-	34,520
Less for the period (note)	-	(7,002)	(7,002)
Balance at December 31, 2019	$ 182,692	512	183,204
Balance at January 1, 2018	$ 128,324	7,514	135,838
Independent acquisitions	19,848	-	19,848
Balance at December 31, 2018	$ 148,172	7,514	155,686
Amortization:			
Balance at January 1, 2018	$ 138,565	3,982	142,547
Amortization	22,164	(1,880)	20,284
Less for the period (note)	-	(1,752)	(1,752)
Balance at December 31, 2019	$ 160,729	350	161,079
Balance at January 1, 2018	$ 120,240	2,479	122,719
Amortization	18,325	1,503	19,828
Balance at December 31, 2018	$ 138,565	3,982	142,547
Carrying amount:			
Balance at December 31, 2019	$ 21,963	162	22,125
Balance at December 31, 2018	$ 9,607	3,532	13,139
Balance at January 1, 2018	$ 8,084	5,035	13,119

(Note): The relevant other accounts payable is written off

(11) Short-term borrowing

	2019.12.31	2018.12.31
Unused credit facility	$ 8,790,983	6,752,688

(12) Long-term borrowing

	2019.12.31	2018.12.31
Collateral borrowings	$ 1,960,000	2,000,000
Unused credit facility	$ 1,340,000	1,300,000
Maturity year	2023	2023
Interest rate	1.43%~1.79%	1.43%~1.79%

A. Collateral for bank borrowing

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

B. Compliance with loan agreement

According to the syndicated loan agreement signed between the Company and the banks, the Company has promised to maintain certain ratios such as current ratio, liabilities ratio and minimum tangible net value based on the Company's annual audited consolidated financial statements. If the Company violates any of the related financial ratios, according to the syndicated loan agreement, the Company shall file an application for waiver and financial improvement plan to the managing bank. Failure to maintain the required financial ratios would not be considered a default unless a resolution is mad by most of the banks to refuse to grant a waiver to the Company. On December 31, 2018 and 2019, the Company's financial ratio was following the syndicated loan agreement.

(13) Lease Liabilities

The Company's lease liabilities are summarized as follow

	2019.12.31
Current:	
Related parties	$ 80,467
Non-related parties	$ 3,252
Non-current:	
Related parties	$ 181,602
Non-related parties	$ 7,567

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

Amounts recognized in profit and loss:

Expense of short-term lease

Interest expense of lease liabilities

Amount recognized in cash flows:

	2019
Total cash outflow of lease	$ 93,410

A. Lease of building

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

B. Other lease

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

(14) Provisions- current

	2019.12.31	2018.12.31
Balance at the beginning for the period	$ -	93,456
Provisions made	-	2,476
Amount utilized	-	(47,259)
Amount reversed	-	(48,673)
Balance at the end for the period	$ -	-

On September 1, 2016, for enhancing market competitiveness and reducing operating costs, the Company terminated certain production lines in Tainan Science-based Industrial Park and related lease contracts of the factory building, which resulted in a disagreement with the lessor. In the first quarter of 2018, the Company reached a settlement with the lessor. The Company recognized an adjustment of restructuring provision of $(48,673) thousand, in other operating expenses.

(15) Operating lease

Operating lease which the payable method is as follows:

	2018.12.31
Within a year	$ 87,975
One to five years	279,094
	$ 367,069

The company leases several factories under operating leases, and the lease period usually ranges from one to five years. The operating expense for operating lease was 73,356 thousand TWD in 2018.

The lease of the plant is also signed with the lease of land and buildings. As the ownership of the land has not been transferred, the rent paid to the landlord of the building is regularly adjusted to market rent, and the company has not assumed the residual value of the building. It is determined that almost all risks and rewards of the building are borne by the landlord. Based on this, the company determined that the lease was an operating lease.

(16) Employee benefits

A. Defined benefit plans

The company determines the adjustment of the present value of welfare obligations and the fair value of planned assets as follows：

		2019.12.31	2018.12.31
Determine the present value of the benefit obligation	$	49,556	49,467
Fair value of project assets		(40,988)	(41,213)
Net defined benefit liabilities (included in other non-current liabilities)	$	**8,568**	**8,254**

The company's defined benefit plan is provided to a special labor retirement reserve account at the Bank of Taiwan. The retirement payment for each employee to whom the Labor Standards Law applies is calculated based on the number of years of service and the average salary for the six months prior to retirement.

(a) Composition of project assets

The retirement fund provided by the company in accordance with the Labor Standards Law is coordinated and managed by the Labor Fund Management Bureau of the Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). The minimum income allocated shall not be lower than the income calculated based on the local bank's two-year time deposit interest rate.

As of December 31, 2019, and 2018, the company's Taiwanese bank labor reserve account balances were 40,988 thousand and 41,213 thousand respectively. Information on the use of labor retirement fund assets includes fund returns and fund asset allocation. Please refer to the information published on the website of the Labor Fund Bureau.

(b) Defined changes in the present value of welfare obligations

		2019	2018
Initial defined benefit obligations	$	49,467	45,017
Current interest cost		742	788
Re-measurement of net defined benefit liabilities			
—Actuarial gains and losses due to experience adjustment		1,421	1,509
—Actuarial gains and losses arising from changes in financial assumptions		2,083	2,153
Planned paid benefits		(4,157)	-
Final defined benefit obligations	$	49,556	49,467

(c) Change in the fair value of planned assets

		2019	2018
Fair value of initial plan assets	$	41,213	37,972
Interest income		633	345
Re-measurement of net defined benefit liabilities			
—Actuarial gains and losses		1,207	900
Funds provided by employers		2,092	1,996
Plan paid benefits		(4,157)	-
Final fair value of plan assets	$	40,988	41,213

(d) Change in the impact of asset caps

The company has no fixed benefit plan assets in 2019 and 2018.

(e) Expense recognized as profit or loss

		2019	2018
Net interest on net defined benefit liabilities	$	109	443
Operating cost	$	62	400
Operating expenses		47	43
	$	109	443

(f) Remeasurement of net defined benefit liabilities recognized as other comprehensive profit or loss

		2019	2018
Cumulative balance at the beginning of the period	$	(16,599)	(13,837)
Current recognized		(2,297)	(2,762)
Cumulative balance at the end of the period	$	(18,896)	(16,599)

(g) Actuarial assumptions

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

	108.12.31	**107.12.31**
Discount rate	1.250%	1.500%
Future salary increases	2.00%	2.00%

The company expects to make a provision of NT$ 2,076 thousand after the reporting date within one year. Defined the weighted average duration of the benefit plan to be 20.39 year.

(h) Sensitivity analysis

	The influence of defined benefit obligation	
	Increase 0.25%	**Reduce 0.25%**
December 31, 2019		
Discount rate	(2,083)	2,185
Future salary increases	2,132	(2,043)
December 31, 2018		
Discount rate	(2,153)	2,254
Future salary increases	2,214	(2,119)

The above sensitivity analysis is based on the analysis of the impact of change in a single assumption based on other assumption unchanged. Many hypothetical changes in practice may be simultaneous. Sensitivity analysis is consistent with the method used to calculate net pension liabilities at the balance sheet date. The methodology and assumptions used in compiling the sensitivity analysis are the same as prior period.

B. Defined contribution plans

Our defined contribution plans is based on the provisions of the Labor Pension Regulations, and employers should contribute 6% of the salary as a worker's retirement pension. When the company allocates a regular amount to the Bureau of Labor Insurance, there is no statutory or deductive obligation to pay additional amounts.

The following details of the expenses determined by the company for the defined retirement pension as follows:

	2019	**2018**
Operating costs	$ 30,907	30,100
Operating expenses	19,197	17,813
	$ 50,104	47,913

(17) Income taxes

A. Income taxes

		2019	2018
Current income tax			
Current period	$	3,616	12,881
Current income tax of prior period adjustment		-	(42)
		3,616	12,839
Deferred income tax expense			
Occurrence and reversal of temporary differences		68,707	79,976
Changes in unrecognized temporary differences		25,622	8,007
Recognition of deductions for unrecognized losses from prior period adjustment		(33,459)	(15,000)
Changes in income tax rates		-	(50,776)
		60,870	22,207
Income taxes Expense	$	64,486	35,046

There was no direct recognized income tax under equity or other comprehensive profit or loss in 2019, and 2018.

The relationship between the income tax expense and net profit before tax in 2019 and 2018 is adjusted as follows：

		2019	2018
Net profit before tax	$	321,610	363,625
Income tax calculated at the domestic tax rate of the company's location	$	64,322	72,725
Changes in income tax rates		-	(50,776)
Non-deductible expenses		4,671	7,600
Undistributed surplus earning plus income tax		5,165	18,401
Changes of undistributed temporary difference		25,622	8,007
Undistributed decrease in recognized losses		(33,459)	(15,000)
Investment deduction		(1,549)	(5,520)
Prior income tax adjustment		(286)	(391)
Income tax expense	$	64,486	35,046

B. Deferred income tax assets and liabilities

(a) Unrecognized deferred income tax assets and liabilities

Unrecognized deferred income tax assets:

		108.12.31	107.12.31
Loss deduction	$	18,177	51,636

Unrecognized deferred income tax liabilities:

	108.12.31	107.12.31
Amount of temporary differences related to investment in subsidiaries	$ 79,057	104,679

The above-mentioned loss deduction is not recognized as deferred income tax assets because the company is unlikely to have sufficient taxable income in the future for the use of the loss deduction. In addition, temporary differences is related to investment subsidiaries which are not recognized as deferred income tax liabilities due to the company can control the point in time at which the temporary differences are reversed and are confident that they will not reverse in the foreseeable future.

Tax losses are in accordance with the provisions of the income tax law. The tax losses of the previous ten years, as determined by the tax donation and collection authority, can be deducted from the net profit of the current year, and then taxed. As of December 31, 2019, the company did not recognize the deduction of tax losses and its tax amount as deferred income tax assets. The deduction period is as follows:

Undeducted losses	Impact of undeducted loss tax credit amount	Deductible last year
$ 90,885	18,177	2026

(b) Recognized deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities in the year 2019 and 2019 are as follows:

Deferred tax assets:

	Allowance for loss of inventories	Loss deduction	Tax differences for fixed assets	Others	Total
January 1, 2019	$ 66,527	137,292	22,051	43,223	269,093
(Debit) credit income statement	(6,591)	(50,761)	1,829	(7,542)	(63,065)
December 31, 2019	**$ 59,936**	**86,531**	**23,880**	**35,681**	**206,028**
January 1, 2018	$ 80,056	126,651	17,189	77,029	300,925
(Debit) credit income statement	(13,529)	10,641	4,862	(33,806)	(31,832)
December 31, 2018	**$ 66,527**	**137,292**	**22,051**	**43,223**	**269,093**

Deferred tax liabilities:

	Unrealized exchange gains	Others	Total
January 1, 2019	$ -	3,566	3,566
(Debit) credit income statement	-	(2,195)	(2,195)
December 31, 2019	$ -	1,371	1,371
January 1, 2018	$ 9,405	3,786	13,191
(Debit) credit income statement	(9,405)	(220)	(9,625)
December 31, 2018	$ -	3,566	3,566

As of December 31, 2019, the company has recognized the loss deductions and deductions as deferred income tax assets.：

Undeducted losses	Impact of undeducted loss tax credit amount	Deductible last year
$ 432,655	86,531	2026

C. Approval situation of income tax

The company has been reporting business income tax settlement instructions from the tax authority for approval in year 2017.

(18) Capital and other equity

A. Common stock

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

B. Capital surplus

	108.12.31	107.12.31
Changes in equity of associates accounted for using equity method	$ 5,618	2,733
Difference between consideration and carrying amount from acquisition of shares in subsidiaries	-	1
	$ 5,618	2,734

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and

Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

C. Retained earnings

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

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

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

(a) Legal reserve
When a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

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

(c) Disposition of net income
On Jun19, 2019 and 2018, the company resolved the 2018 and 2017 disposition of net income cases through regular shareholders' meetings. The dividends distributed to the owners are as follow:

	2018		2017	
	Dividend per share (TWD)	**Amount**	**Dividend per share (TWD)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.60	192,405	0.90	288,607

D. Other equity (net after tax)

		Exchange differences in the conversion of financial statements of foreign operation	Determine benefit plan re-measurement	Equity instrument investments measured at fair value through other comprehensive profit or loss	Total
January 1, 2019	$	21,284	(16,004)	-	5,280
Conversion differences from the translation of net assets of foreign operation					
Affiliated companies		(57,924)	-	-	(57,924)
Joint ventures		(225)	-	-	(225)
Determine benefit plan re-measurement		-	(2,297)	-	(2,297)
Share of rebalancing of defined benefit plans for subsidiaries using the equity method		-	(1,562)	-	(1,562)
Equity instrument investments measured at fair value through other comprehensive profit or loss		-	-	22,832	22,832
Balance at December 31,2019	$	(36,865)	(19,863)	22,832	(33,896)
January 1, 2019	$	64,015	(13,837)	-	50,178
Conversion differences from the translation of net assets of foreign operation					
Affiliated companies		(42,418)	-	-	(42,418)
Joint ventures		(313)	-	-	(313)
Determine benefit plan re-measurement		-	(2,762)	-	(2,762)
Share of rebalancing of defined benefit plans for subsidiaries using the equity method		-	595	-	595
Balance at December 31,2018	$	21,284	(16,004)	-	5,280

(19) Earnings per share

A. Basic earnings per share

		2019	2018
Net profit attributable to ordinary equity holders of the company	$	257,124	328,579
Weighted average number of common shares outstanding (thousands)		320,675	320,675
Basic earnings per share (in dollars)	$	0.80	1.02

B. Diluted earnings per share

		2019	2018
Profit attributable to shareholders of the company	$	257,124	328,579
Weighted-average number of ordinary shares outstanding (in thousands)		320,675	320,675
Effect of dilutive potential common stock (in thousands):			
Employee bonuses		2,250	2,949
Weighted-average number of ordinary share outstanding (in thousands) (including effect of dilutive potential common stock)		322,925	323,624
Diluted earnings per share (in dollars)	$	0.80	1.02

(20) Revenue from contracts with customers

A. Disaggregation of revenues

	2019		
	Optoelectronics	**Others**	**Total**
Primary geographical market:			
Mainland China	$ 7,968,068	217,506	8,185,574
Taiwan	4,363,824	232,836	4,596,660
Other country	114,961	161,339	276,300
	$ 12,446,853	**611,681**	**13,058,534**
Major products/services:			
Optoelectronics	$ 12,446,853	-	12,446,853
Others	-	611,681	611,681
	$ 12,446,853	**611,681**	**13,058,534**

	2018		
	Optoelectroncis	**Others**	**Total**
Primary geographical market:			
Mainland China	$ 6,595,908	51,903	6,647,811
Taiwan	5,174,507	205,735	5,380,242
Other country	105,012	119,676	224,688
	$ 11,875,427	**377,314**	**12,252,741**
Major products/services:			
Optoelectronics	$ 11,875,427	-	11,875,427
others	-	377,314	377,314
	$ 11,875,427	**377,314**	**12,252,741**

B. Contract balance

	2019.12.31	**2018.12.31**	**2018.1.1**
Notes and accounts receivable (including related parties)	$ 18,877,455	2,176,716	2,808,470
Less: loss allowance	(139)	(121)	(30)
Total	**$ 18,877,316**	**2,176,595**	**2,808,440**

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

(21) Remuneration to employee and directors

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

For the year ended December 31, 2019 and 2018, BenQ accrued the remuneration to employees amounting to $36,035 thousand, $40,742 thousand, respectively, remuneration to directors amounting to $2,703 thousand, and $3,056 thousand, respectively, and the remuneration to directors were estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

Remuneration to employees for 2019 and 2018, in cash for payment had been approved in the meeting of board of directors. The information about the remuneration to employees and directors is available at the Market Observation Post System website.

(22) Non-operating income and expenses

A. Other income

		2019	2018
Interest income			
Bank deposits	$	843	471
Imputed interest of deposits		-	11
Government grants income		32,153	42,387
	$	32,996	42,869

B. Other gains and losses

		2019	2018
Gains (losses) on disposals of property, plant and equipment	$	-	(15)
Foreign exchange gain (losses) net		(32,338)	29,222
Gains (losses) on valuation of financial instruments at FVTPL, net		(20,267)	(166,237)
Gain recognized in bargain purchase (note6(7))		-	253
Others		8,233	36,294
	$	(44,372)	(100,483)

C. Finance costs

		2019	2018
Interest expense on bank borrowing	$	(73,216)	(68,524)
Lease liabilities		(5,714)	-
	$	(78,930)	(68,524)

(23) Categories of financial instruments and fair value

A. Categories of finance instrument

(a) Financial assets

		2019.12.31	2018.12.31
Fair value through profit or loss financial assets:			
Foreign exchange forward contract	$	2,173	14,691
Currency swap contract		6,523	4,499
Subtotal		8,696	19,190
Fair value through other comprehensive income financial assets: Assets		101,232	-
Amortized cost financial assets			
Cash and cash equivalents		137,623	96,380
Notes and accounts receivable and other receivables (including related parties)		2,109,457	2,379,806
Other financial assets- current		4,639	5,844
Refundable deposits		3,661	2,853
Subtotal		2,255,380	2,484,883
Total	$	**2,365,308**	**2,504,073**

(b) Financial liabilities

		2019.12.31	2018.12.31
Fair value through profit or loss financial liabilities:			
Foreign exchange forward contract	$	1,991	1,360
Subtotal		1,991	1,360
Amortized cost financial liabilities:			
Notes and accounts payable and other payables (including related parties)		3,184,373	3,313,753
Long term loan		1,960,000	2,000,000
Lease liabilities-current and noncurrent (including related parties)		272,888	-
Guarantee deposit received		30	30
Subtotal		5,417,291	5,313,783
Total	$	**5,419,282**	**5,315,143**

B. Fair value information

(a) Financial instruments not measure at fair value

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

(b) Financial instruments measured at fair value

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

I. Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.

II. Level 2: inputs Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	2019.12.31				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	$ 2,173	-	2,173	-	2,173
Currency swap contract	6,523	-	6,523	-	6,523
	$ 8,696	-	8,696	-	8,696
Financial assets at FVTOCI:					
Domestic stocks company shares	$ 101,232	-	101,232	-	101,232
Financial liabilities at FVTPL:					
Foreign exchange forward contract	$ (1,991)	-	(1,991)	-	(1,991)

	2018.12.31				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign exchange forward contract	$ 14,691	-	14,691	-	14,691
Currency swap contract	4,499	-	4,499	-	4,499
	$ 19,190	-	19,190	-	19,190
Financial assets at FVTOCI:					
Foreign exchange forward contract	$ (1,360)	-	(1,360)	-	(1,360)

C. Valuation techniques and assumption applied in fair value measurement

(a) Non-derivative financial instruments

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

(b) Derivative financial instruments

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

D. Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the year ended 2019 and 2018.

(24) 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 business activities. This note expresses the company's risk information for each of the above risks, the company's policies and procedures for measuring and managing these risks, and quantitative disclosure.

The company's board of directors is responsible for developing and controlling the company's risk management policy. The establishment of the risk management policy is to identify and analyze the risks facing the company, set appropriate risk limits and controls, and monitor the compliance of risks and risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the company's operations.

The management of the company supervises and reviews financial activities in accordance with relevant standards and internal control systems. Internal auditors play a supervisory role and regularly report the results of the review to the board of directors.

A. Credit Risk

Credit risk refers to the risk of the financial loss of the company caused by the failure of the counterparty to perform its contractual obligations. As of the financial reporting date, the company's main potential credit risk comes from financial assets such as bank deposits and accounts receivable from customers. The carrying amount of the company's financial assets represents the maximum credit risk.

Due to the industrial characteristics, the company's optoelectronic products are concentrated in a small number of customers, so that the company has a significant concentration of credit risk. As of December 31, 2019 and 2018, the top five largest customers in the balance of accounts receivable (including related parties) were 47% and 62%, respectively. The company has established a credit granting policy. According to this policy, each customer's credit status is analyzed individually to determine its credit limit, and the customer's financial status is regularly assessed, and insurance is used to reduce credit risk.

B. Liquidity risk

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

As of December 31, 2019, and 2018, the Company had unused credit facilities of $10,130,983 thousand and $8,052,688 thousand, respectively.

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

	Contractual cash flows	Within 6 months	6-12 months	1-5 years	Over 5 years
December 31, 2019					
Non-derivative financial liabilities					
Accounts payable (including related parties)	$ 2,616,298	2,616,298	-	-	-
Other payables (including related parties)	568,075	568,075	-	-	-
Long-term debt (floating rate)	2,055,550	14,537	14,458	2,026,555	-
Lease liabilities (including related parties)	280,800	40,081	47,913	192,806	-
Guarantee deposit received	30	-	-	30	-
	$5,520,753	3,238,991	62,371	2,219,391	-
Derivative financial instruments					
Foreign exchange forward contracts – total:					
Inflow	$(1,291,763)	(1,291,763)	-	-	-
Outflow	1,291,581	1,291,581	-	-	-
Currency swap contract- net	(6,523)	(6,523)	-	-	-
	$ (6,705)	(6,705)	-	-	-
December 31, 2018					
Non-derivative financial liabilities					
Accounts payable (including related parties)	2,950,200	2,950,200	-	-	-
Other payables (including related parties)	363,553	363,553	-	-	-
Long-term debt (floating rate)	2,113,227	5,311	14,807	2,093,109	-
Guarantee deposit received	30	-	-	30	-
	$5,427,010	3,319,064	14,807	2,093,139	-

	Contractual cash flows	Within 6 months	6-12 months	1-5 years	Over 5 years
Derivative financial liabilities					
Foreign exchange forward contracts – total:					
Inflow	$(1,660,048)	(1,660,048)	-	-	-
Outflow	1,646,717	1,646,717	-	-	-
Currency swap contract- net	(4,499)	(4,499)	-	-	-
	$ (17,830)	(17,830)	-	-	-

The Company does not expect that the cash flow analysis due at maturity date will occur significantly earlier or the actual amount will be significantly different.

C. Market risk

Market risk refers to the risks that affect the company's income or the value of financial instruments held due to changes in market prices, such as changes in exchange rates, interest rates, and prices of equity instruments. The objective of market risk management is to control the degree of risk of market risks within an acceptable range and to optimize the return on investment.

In order to manage market risks, the company engages in derivatives trading, and its use is regulated by policies approved by the board of directors. In generally, the company uses risk aversion to manage profit and loss fluctuations.

(a) Currency risk

The Company is exposed to exchange rate risks arising from sales, purchases and borrowing transactions that are not denominated in functional currencies. The functional currency of the company is New Taiwan Dollar. The main denomination currencies for these non-functional currency transactions are the USD and JPY.

The company's hedging strategy 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 company's exchange rate risk mainly comes from foreign currency denominated cash and equivalent cash, accounts receivable (payable) (including related parties), other receivable (payable) (including related parties), and bank borrowings. Foreign currency exchange gains and losses. The carrying amounts of the Company's major monetary assets and liabilities not denominated in functional currencies at the reporting date are as follows:

Unit: thousand TWD

	2019.12.31				
	Foreign currency	**Exchange rate**	**TWD**	**Changes in magnitude**	**Effect on profit or loss**
Financial assets					
USD	$ 62,182	30.106	1,872,051	1%	18,721
JPY	28,923	0.2771	8,015	1%	80
Financial liabilities					
USD	25,748	30.106	775,169	1%	7,752
JPY	5,218,153	0.2771	1,445,950	1%	14,460

	2018.12.31				
	Foreign currency	**Exchange rate**	**TWD**	**Changes in magnitude**	**Effect on profit or loss**
Financial assets:					
USD	$ 70,313	30.715	2,159,664	1%	21,597
JPY	61,818	0.2780	17,185	1%	172
Financial liabilities:					
USD	24,793	30.715	761,517	1%	7,615
JPY	6,325,657	0.2780	1,758,533	1%	17,585

Due to the wide variety of foreign currency monetary items of the Company, the exchange gains and losses information of monetary items in the year 2019 and 2018 is disclosed by consolidation. (32,338) thousand and 29,222 thousand.

II. Interest rate risk

The company's bank borrowings are based on a floating interest rate. 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 achieve lower financing costs, and at the same time cooperate with strengthening working capital management and other methods to reduce the dependency of bank borrowings diversifies the risk of interest rate changes.

The sensitivity analysis below is based on the risk of interest rate exposure of non-derivative instruments at the reporting date. For floating rate liabilities, the analysis method assumes that the amount of liabilities outstanding at the reporting date is outstanding throughout the year. If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the company net profit before tax for the year 2019 and 2018 will decrease or increase by 19,600 thousand and 20,000 thousand.

III. Equity instrument price risk

The company held by domestic emerging stock equity securities market shall bear the risk of price changes. The company manages and monitors investment performance on a fair value basis.

The sensitivity analysis on the price risk of holding the above-mentioned domestic companies is based on the change in fair value at the reporting date. If the price of equity instruments rises / falls by 5%, the amount of other comprehensive profits and losses for the year of 2008 will increase / decrease by 5,062 thousand.

(25) Capital management

Based on the characteristics of the current operating industry and the future development of the company, and considering factors such as changes in the external environment, the company plans its capital management to ensure that the company has the necessary financial resources and operating plans to support future working capital and capital expenses, research and development expenses, debt service and dividend expenses and other needs.

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

A. Refer to Note 6(9) for the Company acquired the right-of-use assets by lease for the year ends December31, 2019.

B. The reconciliation of liabilities from financing activities was as follows:

	2019.1.1	Cash flows	Changes in non-cash: Rent adjustment	2019.12.31
Long-term borrowing	$ 2,000,000	(40,000)	-	1,960,000
Guarantee deposit received	30	-	-	30
Lease liabilities (including related parties)	348,868	(86,644)	10,664	272,888
Total liabilities from financing activities	**$ 2,348,898**	**(126,644)**	**10,664**	**2,232,918**

	2018.1.1	Cash flows	.12.31
Short-term borrowing	$ 925,040	(925,040)	-
Long-term borrowing	1,900,000	100,000	2,000,000
Guarantee deposit received	30	-	30
Total liabilities from financing activities	**$ 2,825,070**	**(825,040)**	**2,000,030**

7. Related-party transactions

(1) Parent company and ultimate controller

Qisda Corporation is the ultimate controller of the company and its subsidiaries and holds 43.56% of the Company's outstanding common shares. Qisda Corporation has prepared a consolidated financial report for public use.

(2) Name and relationship of related parties

Name of related party	Relationship with the company
Qisda Corporation (‘Qisda”)	Parent of the Company
BenQ Materials (L) Co. (BMLB)	Subsidiary of the company
BenQ Materials Co. (BMS)	Subsidiary of the company
Daxon (Suzhou)Technology Corporation (DTB)	Subsidiary of the company
BenQ Materials (Wuhu) Corporation. (BenQ Materials (Wuhu))	Subsidiary of the company
BenQ Material Medical (Suzhou) Corporation (BMM)	Subsidiary of the company (Note2)
Sigma Medical Supplies Corp. (Sigma medical)	Subsidiary of the company (Note1)
Suzhou Sigma Medical Supplies Corp.	Subsidiary of the company (Note1)
Visco Vision Inc. (“Visco Vision”)	Joint venture of the company
Cenefom Corporation Limited (Cenefom)	Joint venture of the company
Visco Technology Sdn. Bhd.	Subsidiary of Visco Vision
Other related parties:	
BenQ Foundation	Substantive related party of Qisda
AU Optronics Corp. (AU)	Joint venture of Qisda

Dafon Electronics Corp. (“DFN”)	Joint venture of Qisda
AU Optronics (L) Co. (“AUL”)	Subsidiary of AU
AFPD Pte., Ltd.	Subsidiary of AU
AU Optronics (Suzhou) Corp. (“AUS”)	Subsidiary of AU
AU Optronics (Kunshan) Corp.	Subsidiary of AU
AU Optronics (Xiamen) Corp. (“AUX”)	Subsidiary of AU
AU Optroncis (Slovakia) Corp.	Subsidiary of AU
BriView (Hefei) Co., Ltd	Subsidiary of AU
Darwin Precision (Xiamen) Corp.	Subsidiary of AU
Darwin Precision Corp.	Subsidiary of AU
Lextar Electronics Corporation	Joint venture of AU
Daxin Materials Corporation	Joint venture of AU
DFI Inc.	Subsidiary of Qisda
Darly Venture (L) Ltd.	Subsidiary of Qisda
Darly Consulting Corporation	Subsidiary of Qisda
BenQ Asia Pacific Corp.	Subsidiary of Qisda
BenQ Asia Pacific Malaysia Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific Singapore Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific India Co., Ltd.	Subsidiary of Qisda
BenQ ESCO Corp.	Subsidiary of Qisda
BenQ GURU Corp.	Subsidiary of Qisda
BenQ Corp.	Subsidiary of Qisda
Partner Tech Corp.	Subsidiary of Qisda
BenQ Medical Technology Corp.	Subsidiary of Qisda
BenQ AB DentCare Corporation	Subsidiary of Qisda
BenQ Hearing Solution Corporation	Subsidiary of Qisda
New Best Hearing International Trade Co., Ltd	Subsidiary of Qisda
LILY Medical Corporation	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd.	Subsidiary of Qisda
SYSAGE Technology Co., Ltd.	Subsidiary of Qisda
Expert Alliance Systems & Consultancy (HK) Company Limited	Subsidiary of Qisda

(Note 1) Since July 24, 2018, it has been a subsidiary of the Company.
(Note 2) It is a newly established subsidiary company on July 8, 2019.

(3) The Company's significant related party transactions

1. Operating income

		2019	2018
Subsidiaries:			
DTB	$	201,912	51,891
Other subsidiaries		58,996	29,032
Other related parties:			
AU		4,052,092	5,001,378
AUS		1,227,025	3,159
AUX		807,828	3,405
AUL		3,731	2,053,749
Other		8,370	9,436
Joint ventures		46,357	53,128
Parent		129	-
	$	6,406,440	7,205,178

The sales prices for the transactions of related parties were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers. The payment terms of 90 to120 days showed no significant difference between related parties and third-party customers.

2. Purchase

		2019	2018
Subsidiary—BMS	$	796,802	-
Subsidiary—BMLB		294,842	654,666
Other subsidiaries		31,762	4,809
Joint ventures		225,911	168,062
	$	1,349,317	827,537

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

3. Acquisition of property, plant and equipment

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

Related-party categories	Account	2019	2018
Parent	Intangible assets	$ 1,031	982
Subsidiary—Sigma Medical	Equipment	91,757	-
Other related parties	Computer	-	289
Other related parties	Equipment	672	-
Other related parties	Intangible assets	2,363	-
		$ 95,823	1,271

As of December 31, 2019, the relevant payables have not been paid and are listed under other payables-related parties

4. Lease

The Company rented the plants and offices from AU and referred to neighboring areas for the rental. The rental expenses for the end of December 31, 2018, amounted to $71,275 thousand, respectively. First-time adoption of IFRS 16 on January 1, 2019, the lease transaction was recognized in right-of-use assets and lease liabilities of $327,330 thousand and $346,090 thousand, respectively. Interest expense for the year ended December 31, 2019, amounted to $5,570 thousand. As of December 31, 2019, the lease liabilities amounted to $262,069 thousand.

5. Accounts receivable- related parties

Account	Relation-party categories	2019.12.31	2018.12.31
Net accounts receivable	Subsidiaries—DTB	$ 120,417	20,180
-Related parties	Subsidiaries—BenQ Material (Wuhu)	82,656	33,943
	Other subsidiaries	23,107	129
	Other related parties－AUL	-	425,857
	Other related parties－AU	13,217	152,988
	Other related parties－AUX	26,818	1,999
	Other related parties－AUS	10,893	1,988
	Other related parties－others	1,415	3,992
	Joint ventures	14,461	23,339
		292,984	664,415
-Other receivables	Subsidiaries	5,362	68,378
Related parties	Joint ventures	5	-
		5,367	68,378

$ 298,351	732,793

In summary, the Company's accounts receivable of related parties are detailed as below:
The Company signed contracts with financial institutions to sell certain accounts receivable from related parties without recourse. These contracts met the condition of financial asset derecognition, details of these contracts were as follows:

2019.12.31						
Underwatering Bank	Factored Amount	Amount of advance available	Advance amount	*Amount of transferred other accounts receivable (Note 6(5))*	Range of interest rates	Other important matters
Mega International Commercial Bank	$ 986,245	-	887,620	98,625	2.54%~2.66%	Promissory note 150,000
Chinatrust Commercial Bank	524,853	-	472,368	52,485	2.35%	Promissory note 54,191
	$ 1,511,098	-	1,359,988	151,110		204,191

2018.12.31						
Underwatering Bank	Factored Amount	Amount of advance available	Advance amount	Amount of transferred other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	$ 1,194,472	-	1,075,025	119,447	3.65%	Promissory note 200,000
Chinatrust Commercial Bank	153,576	-	138,218	15,358	3.90%	Promissory note 55,287
	$ 1,348,048	-	1,213,243	134,805		255,287

6.Accounts payable- related parties

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

Accounts	Related-party categories	2019.12.31	2018.12.31
Accounts payable- Related parties	Subsidiaries	$ 131,603	178,715
	Joint Ventures	21,830	40,645
		153,433	219,360
Other payables- Related parties	Subsidiaries	99,481	5,232
	Other related parties	17,932	15,203
	Parent	-	5
		117,413	20,440
		$ 270,846	239,800

(4) Compensation for key management personnel

	2019	2018
Short-term employee benefits	$ 46,783	44,995
Post-employment benefits	324	324
	$ 47,107	45,319

8. Pledged assets

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

Pledged assets	Pledged to secure	2019.12.31	2018.12.31
Land and building	Long-term debt	$ 671,928	693,489

9. Significant commitments and contingencies

(1) Significant unrecognized commitments:

	2019.12.31	2018.12.31
Unused letter of credit	$ 915,548	971,528
Unpaid payments of major construction and equiptment	152,198	92,987

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

Functional aggregation of employee benefits, depreciation, depletion and amortization:

Function Nature	2019			2018		
	Recognized in cost of sales	Recognized in operation expense	Total	Recognized in cost of sales	Recognized in operation expense	Total
Employee benefits expense						
Salaries and wages	825,963	495,337	1,321,300	866,841	447,544	1,314,385
Labor and health insurance	72,654	33,493	106,147	68,648	30,068	98,716
Retirement benefits	30,969	19,244	50,213	30,500	17,856	48,356
Director's emoluments	803	12,300	13,103	1,274	13,372	14,646
Other employee benefits	47,327	20,091	67,418	46,641	16,501	63,142
Depreciation	350,264	115,740	466,004	249,074	120,204	369,278
Amortization	10,441	9,843	20,284	7,186	12,642	19,828

	2019	2018
Employees numbers	1,465	1,418
Number of directors who are not employees	7	7
Average employee benefit expenses	$ 1,060	1,081
Average employee salary costs	$ 906	932
Adjustment of average employee salary costs	(2.79)%	

13. Additional disclosures

(1) Information on significant transactions:

For the year ended December 31, 2019, the Company should disclose relevant information accordance with Preparation of Financial Reports:

1. Financing provided to other parties:

(Expressed in thousands of New Taiwan dollars)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the period	Ending balance	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transaction with the borrow	Reason for short-term financing	Amount of allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	BMS (Note 1)	BenQ Materials (Wuhui) Co. Ltd	Other receivables-related parties	Yes	920,700 (RMB200,000)	862,640 (RMB200,000)	862,640 (RMB200,000)	1.8%	2	-	Business operation	-		-	1,168,597	1,947,662
2	BMS (Note 1)	BenQ Materials (Wuhui) Co. Ltd	Other receivables - related parties	Yes	282,003 (RMB65,000)	280,358 (RMB65,000)	62,541 (RMB14,500)	1.8%	2	-	Business operation	-		-	1,168,597	1,947,662
3	BMS (Note 1)	Sigma Medical Supplies Corp.	Other receivables - related parties	Yes	86,264 (RMB20,000)	86,264 (RMB20,000)	-	1.8%	2	-	Business operation	-		-	1,168,597	1,947,662

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

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

2. Provision of endorsement and guarantees to others: None

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

Investing company	Marketable securities type and name	Relation with the securities issuer	Financial statement account	As of December 31, 2019				Note
				Shares (K)	Carrying amount	Ownership	Fair value	
BenQ Materials	Stock: Biodenta Corporation	-	Financial assets at fair value through profit or loss	225	(Note)	2.50%	-	
BenQ Materials	Changguang company stock	-	Financial assets at fair value through other comprehensive profit or loss	1,600	101,232	5.25%	101,232	

(Note): The impairment loss was fully recognized.

4. Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of paid-in capital or more: None.

5. Acquisition of property reaching NT$300 million or 20% of paid-in capital or more: None.

6. Disposal of property reaching NT$300 million or 20% of paid-in capital or more: None.

7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-

in capital or more:

Purchaser (seller)	Counter party	Relationship with the counter party	Transaction Detail				Differences in transaction terms compare to third-party transactions		Notes/accounts receivable (payable		Note
			Purchases (sales)	Amount	% of total purchases (sales)	Credit term	Unit price	Credit term	Balance	% of total Notes/ accounts receivable (payable)	
BenQ	AU	Other related party	Sales	4,052,092	31 %	OA90	(Note 1)	(Note 3)	13,217	1 %	-
BenQ	AUS	Other related party	Sales	1,227,025	9 %	OA90	〃	〃	10,893	1 %	-
BenQ	AUX	Other related party	Sales	807,828	6 %	OA90	〃	〃	26,818	1 %	-
BenQ	DTB	Subsidiary	Sales	201,912	2 %	OA90	〃	〃	120,417	6 %	(Note 4)
BenQ	BMS	Subsidiary	Purchase	(796,802)	6 %	OA90	(Note 2)	〃	(125,238)	5 %	(Note 4)
BenQ	BMLB	Subsidiary	Purchase	(294,842)	2 %	OA90	〃	〃	-	-	(Note 4)
BenQ	Visco Vision	Joint ventures	Purchase	(225,656)	2 %	OA90	〃	〃	(21,830)	1 %	-

(Note 1): The sales prices for the transactions of related parties were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers.
(Note 2): The purchase prices for the transactions of related parties were not comparable to the purchase prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the purchase prices for related parties and those for third-party customers.
(Note 3): The transactions, there were no significant differences between related parties and those for third-party customers.
(Note 4): The transactions have been eliminated when preparing the consolidated financial statements.

8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

Company name	Counter party	Relationship with the counter party	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful account
					Amount	Action taken		
BMS	BenQ	Subsidiary	125,238	12.63	-	-	99,257	-
BenQ	DTB	Subsidiary	120,417	2.87	-	-	11,163	-

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

(2) Information on investees:

The information of investee companies for the year ended December 31, 2019 (excluding investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the current period	Investment income (income) recognized for the period	Note
				Balance at December 31, 2019	Balance at December 31, 2019	Shares	Ownership (%)	Carrying amount			
BenQ	BMLB	Malaysia	Investment holding	1,141,340	1,141,340	35,082	100.00%	1,495,217	(128,110)	(128,110)	
BenQ	SMS	Taiwan	Manufacture and sales of medical consumables and equipment	560,000	498,716	40,000	100.00%	494,430	(38,683)	(32,232)	
BenQ	Visco Vision	Taiwan	Manufacture and sales of contact lenses	180,523	180,523	9,984	18.58%	186,053	319,860	59,251	
BenQ	CENEFOM	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	29,127	29,127	1,095	12.12%	15,659	(12,708)	(1,707)	

(3) Information on investments in Mainland China

1. Relevant information on investments in Mainland China:

Investee in Mainland China	Main business activites	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of December 31, 2019	Net income of investee for the current period	Ownership held by BenQ (direct or indirect)	Investment income (loss) recognized for the current period	Carrying amount of investments as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
BenQ Material Co. Ltd. (BMS)	Manufacture of optoelectronics	873,074 (USD29,000)	(3)	873,074 (USD29,000)	-	-	873,074 (USD29,000)	72,205	100.00%	72,205 (Note 2)	1,947,662	-
Daxon Biomedical (Suzhou) Co. Ltd. (DTB)	Sales of optoelectronics and medical consumables	47,445 (RMB11,000)	(2)	-	-	-	-	(46,150)	100.00%	(46,150) (Note 2)	(550)	-
BenQ Material (Wuhu) Co. Ltd.	Manufacture and sales of optoelectronic	345,056 (RMB80,000)	(3)	172,528 (RMB40,000)	-	-	172,528 (RMB40,000) (註三)	(151,771)	100.00%	(151,771) (Note 2)	(417,694)	-
BenQ Materials Medical (Suzhou) Co. Ltd. (BMM)	Manufacture and sales of medical consumables and equipment	4,313 (RMB1,000)	(2)	-	-	-	-	(27)	100.00%	(27) (Note 2)	3,492	-
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	47,929 (USD1,592)	(1)	47,929 (USD1,592)	-	-	47,929 (USD1,592)	(6,018)	100.00%	(6,018) (Note 2)	41,472	-

(Note 1): Investment methods are classified into the following three categories:
(1) Directly invest in a company in Mainland China.
(2) The reinvestments in Mainland China were from the earnings of BMLB.
(3) Indirect investment in Mainland China is through a holding company established in a third country.
(Note 2): Investment income or loss was recognized based on the reviewed financial statements issued by the auditors of the parent in Taiwan.
(Note 3): The amount of MBLB reinvestments RMB10,950 thousand were excluded.

2. Limits on investments in Mainland China:

(Expressed in thousands of New Taiwan dollars)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 30, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment by Investment Commission, MOEA
BenQ	1,045,602 (USD29,000 and RMB40,000)	1,157,530 (USD29,000 and RMB65,950)	(Note)
SMS	47,929 (USD1,592)	47,929 (USD1,592)	232,346

The above amounts were translated into NTD at the exchange rate of USD1=NTD30.106 and RMB1=NTD4.3132.

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

3. Significant transactions with investee companies in Mainland China:
Please refer the information of direct or indirect transactions in Mainland China to "Information on significant transactions" for the details.

14. Segment information

Please refer to the 2019 Consolidated Financial Statements.