

# **BenQ Materials Corp.**

## **2020 Annual General Shareholders' Meeting**

### **Meeting Agenda (Translation)**

**Date : June 18, 2020**

**Note to Readers :**

If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.

# BenQ Materials Corp.

## 2020 Annual General Shareholders' Meeting

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**Time : 9:00 a.m., June 18, 2020, Thursday**

**Place : Chuto Hotel**

**(located at No.398, Taoying Road Taoyuan Dist , Taoyuan City, Taiwan)**

### **Meeting Agenda :**

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## Report Items

### 1. To report the business of 2019

Explanation:

The 2019 Business Report is attached hereto as Attachment I (pages 4).

### 2. Audit Committee's Review Report

Explanation:

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's Financial Statements for the year of 2019. Tang, Cih-Jie and Shih, Wei-Ming Certified Public Accountants of KPMG, have audited the Financial Statements. The 2019 Financial Statements, Business Report, Financial Statements, Independent Auditors Report, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of BenQ Materials Corp. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

BenQ Materials Corp.

Chair of the Audit Committee



Fu-Hai (Frank) Yeh

May 5, 2020

### 3. To report 2019 employees' profit sharing bonus and directors' compensation

Explanation:

The distribution of 2019 employees' profit sharing bonus and directors' compensation is stipulated in Articles of Incorporation, it is proposed to allocate NT\$ 2,702,600 for directors' remuneration and NT\$ 36,034,673 for employees' profit sharing bonus. The payment will be made in cash.

### 4. To report 2019 earnings distribution of cash dividends

Explanation:

- (1) In accordance with the Articles of Incorporation, the distribution of earnings is distributed in the form of cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting.
- (2) The proposed distribution is allocated from the 2019 earnings available for distribution. Each common share holder will be entitled to receive a cash dividend of NT\$0.5 per share.
- (3) The cash dividend distribution to each shareholder will be paid to the rounded-down full NT dollar, and the Chairman of Board of Directors is authorized to determine the ex-dividend date for the cash dividend distribution and other related matters.

- (4) If the dividend distribution ratio is adjusted and need to be modified due to change of the Company's total number of outstanding common shares, the Chairman of Board of Directors has full authority to adjust the distribution ratio.

## **Ratification and Discussion Matters**

### **1. To accept 2019 Business Report and Financial Statements (proposed by the Board of Directors)**

Explanation:

- (1) The 2019 Financial Statements were audited by the independent auditors, Tang, Cih-Jie and Shih, Wei-Ming of KPMG.
- (2) For the 2019 Independent Auditors' Report, and the 2019 Financial Statements, please refer to Attachments 2-3 (pages 5-20).

Resolution:

### **2. To accept the proposal for the distribution of 2019 profits (proposed by the Board of Directors)**

Explanation:

The 2019 Profits Distribution was approved by the Board of Directors and reviewed by the Audit Committee. The 2019 Profits Distribution Table is attached hereto as Attachment 4 (page 21).

Resolution:

### **3. To approve the amendment to the Articles of Incorporation (Proposed by the Board of Directors)**

Explanation:

According to the Executive Yuan Yuan-Tai-Jing-Zi No.1070037184 on October 26, 2018, it is proposed to amend the Articles of Incorporation. The comparison table for the "Articles of Incorporation" before and after amendment are attached hereto as Attachment 5 (pages 22).

Resolution:

## **Extraordinary Motions**

## **Meeting Adjourn**

## 【Attachment I】

### 2019 Business Report

In 2019, BenQ Materials' consolidated revenue was approximately NT\$13.9 billion, an increase of approximately 9% from 2018. The net profit after tax was approximately US\$257 million and the net profit after tax was 0.8. Although the international political and economic turmoil in 2019 is due to the turmoil of the Sino-US trade war, the industrial environment, panels, cars and PCs have also stagnated to decline. However, with the efforts of all employees, the overall revenue has grown for two consecutive years. 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 material conversion has achieved little success.

BenQ Materials prides itself on being a multi-application, multi-technology and multi-product enterprise, 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 the long-held corporate social responsibility, establish a friendly work environment for employees, assist the local smallholder economy, and start from the perspective of circular economy, in terms of design, manufacturing, sales and recycling, reduce usage and Reuse of waste. 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. Of course BenQ Materials will not be absent. The world The political and economic situation is changing, and the operating environment is constantly changing. In the face of 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.

## **【Attachment 2】**

### **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:

##### **I. 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

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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.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents	\$ 196,254	2	169,013	2
Financial assets measured at fair value through profit or loss – current	8,696	-	19,190	-
Financial assets at fair value through other comprehensive income– current	101,232	1	-	-
Notes and accounts receivable, net	1,761,951	17	1,681,148	16
Accounts receivable from related parties, net	69,628	1	611,739	6
Other receivable	228,504	2	142,469	1
Other receivable from related parties	164	-	278	-
Net inventories	1,963,517	19	1,930,668	19
Other current assets	237,817	2	228,241	2
Other current financial assets	4,639	-	5,844	-
<b>Total current assets</b>	<b>4,572,402</b>	<b>44</b>	<b>4,788,590</b>	<b>46</b>
<b>Noncurrent assets</b>				
Investment in equity-accounted investees	201,712	2	143,505	1
Property, plant and equipment	4,357,273	43	4,331,733	42
Right-of-use asset	306,572	3	-	-
Net investment real estate	483,964	5	493,380	5
Intangible assets	44,578	-	44,663	-
Deferred tax assets	245,132	2	311,500	4
Refundable deposits	17,202	-	21,870	-
Long-term prepaid rent	-	-	105,464	1
Other noncurrent assets	99,086	1	102,455	1
<b>Total noncurrent assets</b>	<b>5,755,519</b>	<b>56</b>	<b>5,554,570</b>	<b>54</b>
<b>Total Assets</b>	<b>\$ 10,327,921</b>	<b>100</b>	<b>10,343,160</b>	<b>100</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities</b>				
Short-term loans	\$ 56,800	1	50,000	-
Financial liabilities measured at fair value through profit or loss – current	1,991	-	1,360	-
Notes and accounts payable	2,570,518	25	2,873,111	28
Notes and accounts payable to related parties	21,830	-	40,645	-
Other payables	1,108,900	11	1,018,963	10
Other payables to related parties	18,277	-	15,525	-
Provisions – Current	1,000	-	1,000	-
Current Portion of Long-term Debt	-	-	22,070	-
Current lease liabilities	3,252	-	-	-
Current lease liabilities- related parties	80,467	1	-	-
Other current liabilities	114,672	1	66,528	1
<b>Total current liabilities</b>	<b>3,977,707</b>	<b>39</b>	<b>4,089,202</b>	<b>39</b>
<b>Noncurrent liabilities</b>				
Long-term borrowings	1,993,000	19	2,028,151	20
Deferred tax liabilities	5,953	-	10,335	-
Noncurrent lease liabilities	7,567	-	-	-
Noncurrent lease liabilities – related parties	181,602	2	-	-
Other noncurrent liabilities	31,124	-	31,457	-
<b>Total noncurrent liabilities</b>	<b>2,219,246</b>	<b>21</b>	<b>2,069,943</b>	<b>20</b>
<b>Total liabilities</b>	<b>6,196,953</b>	<b>60</b>	<b>6,159,145</b>	<b>59</b>
<b>Equity attributable to shareholders of the Company</b>				
Common stock	3,206,745	31	3,206,745	31
Capital surplus	5,618	-	2,734	-
Retained earnings :				
Legal reserve	251,953	2	219,095	2
Unappropriated earnings	700,548	7	692,009	7
Other components of equity	(33,896)	-	5,280	-
<b>Equity attributable to shareholders of the Company</b>	<b>4,130,968</b>	<b>40</b>	<b>4,125,863</b>	<b>40</b>
Non-controlling interests	-	-	58,152	1
<b>Total equity</b>	<b>4,130,968</b>	<b>40</b>	<b>4,184,015</b>	<b>41</b>
<b>Total liabilities and equity</b>	<b>\$ 10,327,921</b>	<b>100</b>	<b>10,343,160</b>	<b>100</b>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**BENQ MATERIALS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2019		2018	
	Amount	%	Amount	%
Net sales	\$ 13,942,969	100	12,764,171	100
Cost of sales	(11,800,941)	(85)	(10,913,994)	(86)
Gross Profit	2,142,028	15	1,850,177	14
Operating expenses				
Marketing expenses	(880,320)	(6)	(594,831)	(4)
Administrative expenses	(221,548)	(2)	(223,401)	(2)
Research and development expenses	(686,303)	(5)	(640,989)	(5)
Other operating expenses	-	-	48,673	-
Total operating expenses	(1,788,171)	(13)	(1,410,548)	(11)
Total operating expenses	353,857	2	439,629	3
Non-operating income and loss				
Other income	38,577	-	66,444	1
Other gains and losses – net	(33,528)	-	(99,611)	(1)
Finance costs	(81,957)	(1)	(72,577)	-
Share of the loss of joint ventures accounted for using the equity method	57,544	1	38,409	-
	(19,364)	-	(67,335)	-
Income (loss) Before income tax	334,493	2	372,294	3
Less: income tax expense	(77,753)	-	(46,920)	-
Net Income	256,740	2	325,374	3
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations	(3,859)	-	(2,094)	-
Unrealized gain on equity instrument investment measured at fair value through other comprehensive income	22,832	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(57,835)	-	(42,448)	(1)
Share of Profit of Associates Accounted for Using Equity Method	(225)	-	(313)	-
Other comprehensive income (loss), net of tax	(39,087)	-	(44,855)	(1)
Total comprehensive income	\$ 217,653	2	280,519	2
Net income attributable to :				
Shareholders of the Company	257,124	2	328,579	3
Non-controlling Interest	(384)	-	(3,205)	-
	256,740	2	325,374	3
Total comprehensive income attributable to :				
Shareholders of the Company	217,948	2	283,681	2
Non-controlling Interest	(295)	-	(3,162)	-
	217,653	2	280,519	2
Earnings per share				
Basic earnings per share	\$ 0.80		1.02	
Diluted earnings per share	\$ 0.80		1.02	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity  
For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

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	Equity attributable to owners of the parent												
	Retained Earnings					Other components of equity					Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	Common stock	Capital Surplus	Legal reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences	Unrealized gains(losses) from financial assets at fair value through other comprehensive income	Remeasurement of defined benefit plans	Subtotal				
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	
Effects of retrospective application	-	-	-	(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 :													
Appropriation of legal reserve	-	-	52,513	(52,513)	-	-	-	-	-	-	-	-	
Cash dividends distributed to shareholders	-	-	-	(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)	(44,898)	43	(44,855)	
Total comprehensive income (loss)	-	-	-	328,579	328,579	(42,731)	(2,167)	(44,898)	(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	
Effects of retrospective application	-	-	-	(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 :													
Appropriation of legal reserve	-	-	32,858	(32,858)	-	-	-	-	-	-	-	-	
Cash dividends distributed to shareholders	-	-	-	(192,405)	(192,405)	-	-	-	-	(192,405)	-	(192,405)	
Changes in other capital surplus :													
Changes in joint ventures accounted for under equity method	-	2,885	-	-	-	-	-	-	-	2,885	-	2,885	
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)	
Net Income	-	-	-	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	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	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
Total 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)
Income taxes paid	(27,817)	(6,834)
Net cash provided by operating activities	1,131,775	2,133,784
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)
Increase in long-term borrowings	333,000	2,228,138
Repayments of long-term borrowings	(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

## **【 Attachment 3 】**

### **Independent Auditors' Report**

To the Board of Directors of BenQ Materials Corporation:

#### **Opinion**

We have audited the parent company only financial statements of BenQ Materials Corp. (“the Company”), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **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:

##### **I. 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

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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****Balance Sheets****December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

<b>Assets</b>	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets</b>				
Cash and cash equivalents	\$ 137,623	1	96,380	1
Financial assets measured at fair value through profit or loss – current	8,696	-	19,190	-
Financial assets at fair value through other comprehensive income– current	101,232	1	-	-
Notes and accounts receivable, net	1,584,332	16	1,512,180	15
Accounts receivable from related parties, net	292,984	3	664,415	7
Other receivable	226,774	2	134,833	1
Other receivable from related parties	5,367	-	68,378	1
Net inventories	1,718,249	17	1,724,792	17
Other current assets	73,319	1	72,306	1
Other current financial assets	4,639	-	5,844	-
<b>Total current assets</b>	<b>4,153,215</b>	<b>41</b>	<b>4,298,318</b>	<b>43</b>
<b>Noncurrent assets</b>				
Investment in equity-accounted investees	2,191,359	22	2,307,110	23
Property, plant and equipment	3,195,212	32	3,038,812	31
Right-of-use asset	256,045	3	-	-
Intangible assets	22,125	-	13,139	-
Deferred tax assets	206,028	2	269,093	3
Refundable deposits	3,661	-	2,853	-
Other noncurrent assets	45,570	-	37,285	-
<b>Total noncurrent assets</b>	<b>5,920,000</b>	<b>59</b>	<b>5,668,292</b>	<b>57</b>
<b>Total Assets</b>	<b>\$ 10,073,215</b>	<b>100</b>	<b>9,966,610</b>	<b>100</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities</b>				
Financial liabilities measured at fair value through profit or loss – current	\$ 1,991	-	1,360	-
Notes and accounts payable	2,462,865	24	2,730,840	28
Notes and accounts payable to related parties	153,433	2	219,360	3
Other payables	867,461	9	819,754	8
Other payables to related parties	117,413	1	20,440	-
Current lease liabilities	3,252	-	-	-
Current lease liabilities- related parties	80,467	1	-	-
Other current liabilities	96,227	1	37,143	-
<b>Total current liabilities</b>	<b>3,783,109</b>	<b>38</b>	<b>3,828,897</b>	<b>39</b>
<b>Noncurrent liabilities</b>				
Long-term borrowings	1,960,000	19	2,000,000	20
Deferred tax liabilities	1,371	-	3,566	-
Noncurrent lease liabilities	7,567	-	-	-
Noncurrent lease liabilities – related parties	181,602	2	-	-
Other noncurrent liabilities	8,598	-	8,284	-
<b>Total noncurrent liabilities</b>	<b>2,159,138</b>	<b>21</b>	<b>2,011,850</b>	<b>20</b>
<b>Total liabilities</b>	<b>5,942,247</b>	<b>59</b>	<b>5,840,747</b>	<b>59</b>
<b>Equity</b>				
Common stock	3,206,745	32	3,206,745	32
Capital surplus	5,618	-	2,734	-
Retained earnings :				
Legal reserve	251,953	2	219,095	2
Unappropriated earnings	700,548	7	692,009	7
Other components of equity	(33,896)	-	5,280	-
<b>Total equity</b>	<b>4,130,968</b>	<b>41</b>	<b>4,125,863</b>	<b>41</b>
<b>Total liabilities and equity</b>	<b>\$ 10,073,215</b>	<b>100</b>	<b>9,966,610</b>	<b>100</b>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Statements of Comprehensive Income**

**For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2019		2018	
	Amount	%	Amount	%
Net sales	\$ 13,058,534	100	12,252,741	100
Cost of sales	(11,220,817)	(86)	(10,597,700)	(86)
Gross Profit	1,837,717	14	1,655,041	14
Unrealized profit on sales	(10,908)	-	(2,200)	-
Realized gross profit	1,826,809	14	1,652,841	14
Operating expenses				
Marketing expenses	(485,919)	(4)	(372,560)	(3)
Administrative expenses	(163,375)	(1)	(153,448)	(1)
Research and development expenses	(662,801)	(5)	(617,391)	(6)
Other operating expenses	-	-	48,673	1
Total operating expenses	(1,312,095)	(10)	(1,094,726)	(9)
Total operating expenses	514,714	4	558,115	5
Non-operating income and loss				
Other income	32,996	-	42,869	1
Other gains and losses – net	(44,372)	-	(100,483)	(1)
Finance costs	(78,930)	(1)	(68,524)	(1)
Share of the loss of joint ventures accounted for using the 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
Less: income tax expense	(64,486)	-	(35,046)	-
<b>Net Income</b>	<b>257,124</b>	<b>2</b>	<b>328,579</b>	<b>3</b>
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations	(2,297)	-	(2,762)	-
Unrealized gain on equity instrument investment measured at fair value through other comprehensive income	22,832	-	-	-
Share of the other comprehensive income of subsidiaries accounted for using equity method	(1,562)	-	595	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(58,149)	-	(42,731)	(1)
Other comprehensive income (loss), net of tax	(39,176)	-	(44,898)	(1)
Total comprehensive income	\$ 217,948	2	283,681	2
Earnings per share				
Basic earnings per share	\$ 0.80		1.02	
Diluted earnings per share	\$ 0.80		1.02	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Statements of Changes in Equity**

**For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital Surplus	Retained earnings			Foreign Currency Translation differences	Other components of equity			Total equity
			Legal reserve	Unappropriated earnings	Subtotal		Unrealized gains(losses) from financial assets at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	
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
Effects of retrospective application	-	-	-	(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	4,130,808
Appropriations of earnings :										
Appropriation of legal reserve	-	-	52,513	(52,513)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(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 Consolidated net price (loss)	-	1	-	-	-	-	-	-	-	1
Other comprehensive income (loss)	-	-	-	-	-	(42,731)	-	(2,167)	(44,898)	(44,898)
Total comprehensive income (loss)	-	-	-	328,579	328,579	(42,731)	-	(2,167)	(44,988)	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	4,125,863
Effects of retrospective application	-	-	-	(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 :										
Appropriation of legal reserve	-	-	32,858	(32,858)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(192,405)	(192,405)	-	-	-	-	(192,405)
Changes in other capital surplus :										
Changes 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 Net Income	-	(1)	-	(3,543)	(3,543)	-	-	-	-	(3,544)
Other comprehensive income(loss)	-	-	-	-	-	(58,149)	22,832	(3,859)	(39,176)	(39,176)
Total comprehensive income (loss)	-	-	-	257,124	257,124	(58,149)	22,832	(3,859)	(39,176)	217,948
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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**BENQ MATERIALS CORP. AND SUBSIDIARIES**

**Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	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
Expected credit impairment losses and reversal gains	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 (loss) on disposals of property plant and equipment	-	15
Unrealized profit on sales	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 in other accounts receivables	(188)	1,482
Decrease in other accounts receivables from related parties	63,011	(163)
Increase in inventories	6,543	(152,787)
Increase (decrease) in current assets	(1,013)	(25,044)
Total 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)
Income taxes (paid) refunded	(12,863)	42
Net cash provided by operating activities	1,110,599	1,906,467
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(78,400)	-
Purchase of investments accounted for 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 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 (increase) in short-term borrowings	-	(925,040)
Increase in long-term borrowings	300,000	2,200,000
Repayments of long-term borrowings	(340,000)	(2,100,000)
Repayments of lease liabilities	(86,644)	-
Payment of cash dividends	(192,405)	(288,607)
Net cash flows from financing activities	(59,614)	-
Effect of change rate changes on cash and cash equivalents	(378,663)	(1,113,647)
Net decrease (increase) 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

**【 Attachment 4 】****BENQ MATERIALS CORP.  
2019 Profits Distribution Table**

	( Unit: NTD \$ )
<b>Net Profit after tax in 2019</b>	<b>\$ 257,123,852</b>
<b>Less : Legal Reserve</b>	<b>(25,712,385)</b>
<b>Reversal of special reserve</b>	<b>(33,896,449)</b>
<b>Difference between consideration and carrying amount arising from acquisition of shares in subsidiaries</b>	<b>(3,543,088)</b>
<b>Distributable net profit of 2019</b>	<b>\$193,971,930</b>
<b>Add : Unappropriated retained earnings of prior years</b>	<b>466,746,004</b>
<b>Less : Impact of retrospective application of IFRS 16</b>	<b>(19,779,041)</b>
<b>Distributable net profit</b>	<b>\$640,938,893</b>
<b>Distributable item :</b>	
<b>Cash dividends to common shareholders (NT\$0.50 per share)</b>	<b>(160,337,257)</b>
<b>Unappropriated retained earnings</b>	<b>\$480,601,636</b>

**Notes :**

The cash dividend distribution to each shareholder will be paid to the rounded-down full NT dollar. Amounts less than one whole NT dollar are rounded-down to the nearest NT dollar. The aggregate unpaid cash dividend resulting from the above rounded-down, will be distributed to shareholders in the descending order of decimal point and the ascending order of shareholder account numbers, until the total amount of the approved cash dividend has been fully distributed.

## 【 Attachment 5 】

### Comparison table for the Articles of Incorporation before and after the amendment

Before amendment	After amendment	Reason of amendment
<p>Article 8 :</p> <p>The share certificates of the Company shall be all in registered form. The share certificates shall be affixed with the signatures or personal seals of <del>three directors or more</del>, and shall be duly certified or authenticated under the laws before issuance.</p> <p>The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.</p>	<p>Article 8 :</p> <p>The share certificates of the Company shall be all in registered form. The share certificates shall be affixed with the signatures or personal seals of <u>the director representing the company</u>, and shall be duly certified or authenticated <u>by the bank which is competent to certify shares</u> under the laws before issuance.</p> <p>The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.</p>	<p>To comply with the Rules of the Articles of Incorporation of the Company</p>
<p>Article 22 :</p> <p>These Articles of Incorporation were approved on July 3, 1998 (Omitted)</p> <p>The twenty-first amendment was approved on June 19, 2019</p>	<p>Article 22 :</p> <p>These Articles of Incorporation were approved on July 3, 1998 (Omitted)</p> <p>The twenty-first amendment was approved on June 19, 2019 <u>The twenty-second amendment was approved on June 18, 2020</u></p>	<p>To add the amendment date</p>

## 【Appendix I】

### BENQ MATERIALS CORP. Shareholding of Directors

1. The Company has issued capital of the Company is NT\$3,206,745,140 representing 320,674,514 common shares. According to Article 26 of the Securities and Exchange Act, the minimum number of shares that shall be held by all directors of the company is 12,826,980.
2. According to Article 2 of the "Public Issuing Company Directors and Supervisors' Shareholding Ratio and Implementation Rules for Inspection", if more than 2 independent directors are elected, the total shareholding percentage calculated by all directors and supervisors other than the independent directors will be reduced to 80 %. In addition, if the company has set up an audit committee in accordance with this law, the regulations concerning the number of shares held by the supervisor shall not be less than a certain ratio.
3. As of April 20, 2020, the number of shares held by all directors is 130,340,324 shares, accounting for 40.64% of the company's total shares. The actual collective shareholding of directors was shown as below :

Title	Name	Shareholders Represented	No. of Shareholding	Shareholding %
Chairman	Zhien-Chi Chen	Qisda Corporation	43,659,294	13.61
Director	Kuen-Yao Lee		4,580,396	1.43
Director	Ko-Yung Yu		1,252,871	0.39
Director	Peter Chen	Qisda Corporation	43,659,294	13.61
Director	Wen-Der Lee	BenQ Corporation	80,847,763	25.21
Independent Director	Fu-Hai Yeh		0	0
Independent Director	Chiou-Ming Chen		0	0
Independent Director	Yu-Yang Lu		0	0
Total			130,340,324	40.64



## **【Appendix 2】**

### **BENQ MATERIALS CORP.**

#### **Rules and Procedures for Shareholders' Meeting**

1. The Rules and Procedures for Shareholders' Meeting are enacted in accordance with the “Rules Governing the Conduct of Shareholders Meetings by Public Companies” promulgated by the Securities and Futures Commission, Ministry of Finance, (86) Tai-Tsai- Zheng (3) No.04109.
2. Shareholders or their proxies attending the shareholders' meeting (the “Meeting”) shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders or their proxies attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders or their proxies plus the number of shares exercised by correspondence or electronic means.
3. The quorum required for the Meeting and the votes cast by the shareholders shall be calculated in accordance with the number of shares representing by shareholders attending the Meeting.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
5. The chairman of the Board of Directors shall be the chair presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. In case the chairman of the Board of Directors is on leave or cannot exercise his power and authority for any reason, the vice chair shall act on behalf of the chair. In case the Company has no vice chairman, or the vice chairman is also on leave or unable to exercise his and authority for any reason, the chairman of the Board of Directors shall designate one of the directors to act on behalf of the chair. If the chairman does not make such designation, the directors shall elect from and among themselves an acting chair of the Board of Directors. If the Meeting is convened by the person other than the Board of Directors who is permitted to convene such Meeting, such person shall be the chair presiding the Meeting.
6. The Company may appoint designated counsel, Certified Public Accountant or other related persons to attend the Meeting.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes or videos shall be preserved for at least one year.
8. Chair shall call the Meeting to order at the time scheduled for the meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chair may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one-third of the total outstanding shares of the Company, tentative resolutions may be made in accordance with Paragraph I, Article 175 of the Company Act of the Republic of China. If during the process of the Meeting the number of shares represented by the shareholders present becomes sufficient to constitute the quorum, the chair may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act of the Republic of China.
9. The agenda of the Meeting shall be set by the Board of Directors, if the Meeting is convened by the Board of Directors. The Meeting shall proceed in accordance with the agenda unless otherwise resolved at the Meeting. During the Meeting, the chair may, at his/her discretion, set time for

intermission. Unless otherwise resolved at the Meeting, the chair cannot announce adjournment of the Meeting before all the discussion items listed in the agenda are resolved. The shareholders cannot designate any other person as chair and continue the Meeting in the same or other place after the Meeting is adjourned.

10. When a shareholder present at the Meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's number, and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chair. If any shareholder presenting the Meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note, the contents of actual speech shall prevail. Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholder; otherwise the chair shall stop such interruption.
11. Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times or longer than 5 minutes each time. In case the speech of any shareholder violates this provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder.
12. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting. If a legal entity is a shareholder and designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the chair may respond him/herself or appoint an appropriate person to respond.
14. The chair may announce to end the discussion of any discussion item and go into voting if the chair deems it appropriate.
15. The person(s) to monitor and the person(s) to count the ballots shall be appointed by the chair. The person(s) monitoring the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and recorded in the minutes of the Meeting.
16. Except otherwise provided in the Company Act of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chair.
17. If there is amendment to or substitute for a discussion item, the chair shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any of them has been adopted, the other shall be deemed vetoed and no further voting is necessary.
18. The chair may require or supervise the disciplinary officers or the security guards to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officer" for identification purpose.
19. In case of incident due to force majeure, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
20. Any matter not provided in the Rules and Procedures shall be handled in accordance with the Company Act of Republic of China and the Articles of Incorporation of the Company.
21. The Rules and Procedures shall become effective from the date on which the Rules and Procedures are approved by the Meeting. The same shall apply to amendments to the Rules and Procedures.

## **[ Appendix 3 ]**

### **BENQ MATERIALS CORP.**

#### **Articles of Incorporation (Before the amendments)**

##### **Chapter 1: General Provisions**

- Article 1 The Company is organized as a company limited by shares in accordance with the Company Act of the Republic of China (the "Company Act") and the Company's English name is BENQ MATERIALS CORP.
- Article 2 The scope of business of the Company shall be as follows :
1. CC01110 Computer and peripheral equipment manufacturing
  2. F401010 International trade
  3. CC01080 Electronic parts and components manufacturing business
  4. C801100 Synthetic resin and plastic manufacturing
  5. C801990 Other Chemical Materials Manufacturing
  6. F219010 Electronic Materials Retail
  7. CC01120 Data storage media manufacturing and replication industry
  8. C802160 Adhesive tape manufacturing
  9. CF01011 Medical equipment manufacturing
  10. C801030 Precision Chemical Material Manufacturing
  11. IG01010 Biotechnology service industry
  12. CC01090 Batteries Manufacturing
  13. F108031 Medical equipment wholesale
  14. 208031 Medical equipment retail
  15. ZZ99999 In addition to licensed business, business that is not prohibited or restricted by law
- Article 3 The Company may provide guarantees or endorsements on behalf of third parties due to business or investment relationships with such third parties.
- Article 4 The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Act.
- Article 5 The head office of the Company shall be in Taoyuan, Taiwan, the Republic of China ("R.O.C."). Subject to the approval of the Board and other relevant authorities, the Company may, if necessary, set up branches or business offices at other appropriate place.
- Article 6 The company's announcement method is in accordance with the provisions of Article 28 of the Company Act.

##### **Chapter 2: Shares**

- Article 7 The company's total capital is rated at NT \$ 4 billion, divided into 400 million shares at \$ 10 per share.
- The council decided to issue in batches. 15 million shares are reserved in the aforementioned total shares as shares for issuing employee stock option certificates. The company may issue employee stock options at a stock price lower than the market price, or less than the actual share repurchase, with the consent of the shareholders 'meeting representing more than half of the total number of issued shares and the presence of more than two-thirds of the shareholders' voting rights Average price transferred to employees.

Article 7-1 Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive treasury stock purchased by the Company. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive share subscription warrant of the Company. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive new shares issued by the Company. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive restricted stock.

Article 8 The share certificates of the Company shall be all in registered form. The share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance.

The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.

Article 9 The name change and transfer of the company's stocks shall cease within 60 days before the shareholders' general meeting, within 30 days before the shareholders' temporary meeting or within 5 days before the company's decision to distribute dividends and dividends or other benefits.

### **Chapter 3: Shareholders' Meetings**

Article 10 Shareholders' meetings shall be of two types, ordinary meetings and extraordinary meetings. Ordinary meetings shall be convened annually by the Board within six months of the end of each fiscal year. Extraordinary meetings shall be convened in accordance with the relevant laws, whenever necessary.

Article 11 Unless otherwise provided in applicable law and regulations, a resolution shall be adopted at a meeting attended by the shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the attending shareholders shall vote in favor of the resolution. In case a shareholder is unable to attend a shareholders' meeting, such shareholder may issue a proxy in the form issued by the Company, setting forth the scope of authorization by signing and affixing such shareholder's seal on the proxy form for the representative to be present on such shareholder's behalf. Except for trust enterprises or other stock transfer agencies approved by the securities authorities, if a person is designated as proxy by more than two shareholders, any of such person's voting rights representing in excess of 3% of the total issued and outstanding shares shall not be considered. The relevant matters related to the use and rescission of the proxy shall be conducted in accordance with the Company Act and applicable rules.

Article 11-1 Delete this article

### **Chapter 4: Board of Directors and Audit Committee**

Article 12 The Company shall have seven to nine directors. Within the entire Board, the Company shall have at least three independent directors on the Board. The professional qualifications, restrictions on the shareholdings and concurrent positions held, method of nomination and election, and other matters with respect to independent directors shall be in compliance with applicable laws and regulations. The term of office for all directors

shall be three (3) years. The directors are eligible for re-election. The number of the directors shall be decided by the board of directors.

The Board is authorized to determine the compensation for the directors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.

The Company may take out liability insurance for the directors with respect to the liabilities resulting from exercising their duties during their terms of office.

Article 13 Directors shall be elected from a slate of director candidates, which are nominated under the Candidate Nomination System, at shareholders' meetings.

The directors referred to in this constitution include independent directors. The voting rights of shareholders shall have one voting right per share, unless otherwise provided by laws and regulations.

The above-mentioned number of directors of the company includes at least three independent directors, and adopts the candidate nomination system, which is selected by the shareholders' meeting on the list of independent director candidates. The professional qualifications, shareholding, part-time restrictions, nomination and selection methods of the independent directors and other matters to be complied with shall be handled in accordance with relevant laws.

Independent directors and non-independent directors of the company shall be elected together to calculate the number of elected candidates.

Article 13-1 Pursuant to Article of the Securities and Exchange Act, the Company shall have the audit committee which shall be composed of all independent directors, and one of them serves as the convener, and at least one person has accounting or financial expertise.

The resolution of the audit committee shall be agreed by more than half of all members.

Article 13-2 The audit committee established by the company in accordance with the law is responsible for the implementation of the company law, securities trading law, other laws and regulations and the company 's articles of association and various measures as the supervisory authority.

Article 13-3 Delete this article

Article 14 The Company shall have a chairman of the Board. The chairman of the Board shall be elected by and among the directors by a majority of directors present at a meeting attended by more than two thirds of directors. The chairman of the Board shall preside internally at the meetings of the Board and shall externally represent the Company. °

Article 15 Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy in accordance with Article 208 of the Company Act. Each director may act as a proxy for one other director only.

The meeting of the Board of Directors shall be convened in accordance with the Company Act. In calling a meeting of the Board of Directors, a notice may be given to each director by means of electronic mail or facsimile.

## **Chapter 5: President & Vice Presidents**

Article 16 The Company shall have one or more managerial personnel. Appointment, dismissal, and remuneration of the president and vice presidents shall be subject to the provisions of the Company Act.

## Chapter 6: Accounting

- Article 17 The company's fiscal year is from January 1 to December 31 of the same year.
- Article 18 After the end of each fiscal year, the Board shall prepare and submit the following documents: (1) business report, (2) financial statements, (3) proposal for allocation of earnings or recovery of loss, which shall be submitted to the audit committee for verification 30 days before the shareholders' meeting. The audit committee issued a report to the shareholders' general meeting for approval.
- Article 19 Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside 5%-20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The Company may allocate employee's remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of parent company or subsidiary meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method. The distribution of earnings in the preceding paragraph is distributed in the form of cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting.
- Article 19-1 Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve and certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulation. The balance ( if any ) together with accumulated unappropriated retained earnings can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting. When the legal reserve and capital surplus are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with the Company Act and reported to the shareholders' meeting.
- Article 19-2 The Company distributing dividends and bonus in the form of new shares to be issued by the company in accordance with Company Law. When the legal reserve and capital surplus are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with Paragraphs2, Article 241 of the Company Act and reported to the shareholders' meeting.
- Article 20 Profits of Company may be distributed in form of cash dividends and/or stock dividends. As the Company is technology- and capital-intensive enterprise in its growth phase, the Company has adopted remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth. 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. The ratio for cash dividends shall not be less than 10% of total distribution, but the ratio can be adjusted in accordance with the actual profit or the operating condition.

## **Chapter 7: Supplementary Articles**

- Article 21 With respect to the matters not provided herein, the Company Act and other applicable laws and regulations shall govern.
- Article 22 These Articles of Incorporation were enacted by the incorporators in the incorporators meeting held on July 3, 1998 and were effectively approved by the competent authority.
- The first amendment was made on August 30, 1998.
- The second amendment was made on September 10, 1998.
- The third amendment was made on October 9, 1998.
- The fourth amendment was made on March 14, 2000.
- The fifth amendment was made on August 25, 2000.
- The sixth amendment was made on May 8, 2001.
- The seventh amendment was made on April 23, 2002.
- The eighth amendment was made on May 21, 2003.
- The ninth amendment was made on May 18, 2004.
- The tenth amendment was made on May 18, 2004.
- The eleventh amendment was made on May 18, 2006.
- The twelfth amendment was made on May 22, 2007.
- The thirteenth amendment was made on November 16, 2007.
- The fourteenth amendment was made on May 30, 2008.
- The fifteenth amendment was made on June 10, 2009.
- The sixteenth amendment was made on June 9, 2010.
- The seventeenth amendment was made on June 15, 2011.
- The eighteenth amendment was made on June 21, 2012.
- The nineteenth amendment was made on June 24, 2015.
- The twentieth amendment was made on June 14, 2016.
- The twenty-first amendment was made on June 19, 2019.