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BenQ Materials Corp.

# 2022 Annual Report

BenQ Materials Corp

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

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

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

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

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

Auditors
CPAs: Cih Jie, Tang , Wei Ming, Shih
Name of Accounting Firm: KPMG Taiwan
Address: 68F, No.7, Sec., 5, Xinyi RD., Taipei City, Taiwan, R.O.C (Taipei 101)
Website: www.kpmg.com.tw
Tel: (02) 8101-6666

Name of Trading Venues for Overseas Flotation of Marketable Securities and Means of Inquiry into Information Thereof: Not applicable

Company Website: www.benqmaterials.com.tw

# Letter to Shareholders

Dear Shareholders,

In 2022, the consolidated operating income of BenQ Materials amounted to NT$ 15.5 billion, with a net profit after tax of NT$ 1.295 billion and earnings after tax of NT$ 4.04 per share. This year, under the treacherous international political and economic situation, the pandemic in various countries has subsided, and the increasing demand has led to rises in raw materials and inflation. In the face of industrial changes, the Company has actively improved its systems, revitalized its assets, completed the disposal of idle lands and plants in Suzhou and Ruifang District, and improved the fund use efficiency of the Company to cope with the necessary investment in its future transformation.

In terms of display materials, in the face of industrial changes where permanent changes will take place in the display ecological structure in the future, the team continues to deepen the partnership between clients and strategic suppliers, break through technical barriers, and pursue high-value and differentiation. This year, the medical industry has ushered in a rare and valuable resurgence, where consumer medical products have fully recovered in Southeast Asia, Taiwan, and even mainland China markets. In terms of professional medical care, in addition to the rapid developments in overseas sales, AnsCare has also deeply cultivated in Taiwan's medical industry, constantly constructing sales networks of hospitals and clinics, directly communicating with front-line medical personnel, and bringing more innovation and services to medical professionals and patients. BenQ Materials was awarded the "Industry Contribution Award" this year by the "Chinese Taipei Society for Biomaterials and Controlled Releases", the largest academic group in Taiwan for biomaterials and controlled releases, boosts our confidence in meeting challenges and constantly improving in the biomedicine sector.

In the meantime, through the investment in Web-Pro Corporation in 2022, BenQ Materials acquired Web-Pro Corporation, officially setting foot in hygiene supplies while expanding its ratio in the sector of medical materials. Web-Pro Corporation has sound innovative thinking, solid manufacturing, quality control process, and firm client relationships. With Web-Pro's incorporation, it is believed that both parties will be further strengthened in the core R&D and manufacturing of hygiene supplies and medical materials, with product lines expanded, and the overseas business kept evolving, bringing refreshing technology to the clients and producing larger values for shareholders. In the past two years, the Company has made remarkable progress in businesses related to professional medical materials, such as United Biopharma, AnsCare, and Cenefom. With a strong alliance with Web-Pro, we will strive for future collaborations with giant international medical materials manufacturers.

Looking forward to 2023, BenQ Materials will adhere to the general direction of multi-products, multi-application, and multi-technology, deepen the expansion in sectors of medical, battery, and display material, while we will emphasize discipline, integrity, and responsibility, implement agile action, continue to cultivate marketing, R&D, manufacturing, and implement ESG corporate responsibility, precisely fulfill each execution segment set forth by the Company, and transform crisis into a favorable turn in the face of uncertain future. Here, we look forward to the continued support of shareholders to jointly create the Company's sustainable development.

Sincerely,

Chairman: 陳建志 印鑑 General Manager: 陳家祺 印鑑 Accounting supervisor: 王昇聖 印鑑

# Company Profile

**(I) Date of Incorporation:** July 16, 1998

**(II) Milestones**

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

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

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

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

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

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

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

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

2007- 12 Establishment of Polarizer factory in Longtan

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

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

2010- 03 Conducting private placement of securities increase the capital in cash NT$ 200,000 thousand, and the paid in capital increased to 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), engaged in the manufacturing and sales of lithium battery isolation film products

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

increased to NT$ 3,101,301 thousand

11 Listed on the Taiwan Stock Exchange, stock code: 8214

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

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

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

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

09 End of Nanke branch operation

2018- 07 Acquire SIGMA Medical Supplies Corporation

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

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

2021- 09 Winning the Best Asia Employer Brand

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

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

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

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

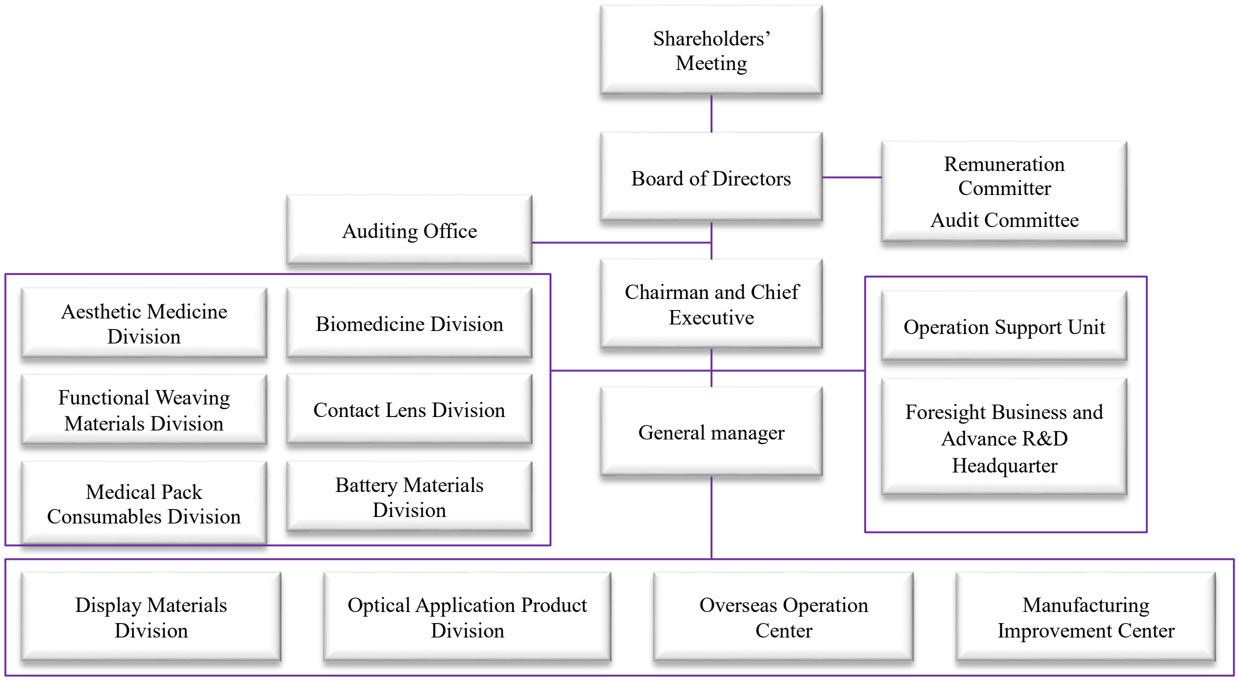
11 Biomaterials Industry Contribution Award

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

# Corporate Governance Report

## Organization

### (I) Organizational Chart




### (II) Department Functions

| Divisions | Functions |
|---|---|
| Auditing Office | ❖ The establishment and implementation of the Company's auditing system, the formulation and declaration of the annual audit plan, and the implementation of internal and external control of the Company and its subsidiaries. |
| Foresight Business and Advance R&D Headquarter | ❖ Coordinating product development, technology development, evaluation, planning and intellectual property rights of new business. |
| Biomedicine Division | ❖ Responsible for biomedical product planning, manufacturing, marketing sales and customer service. |
| Contact Lens Division | ❖ Responsible for contact lens product planning, R&D design, manufacturing, marketing sales and customer service. |
| Aesthetic Medicine Division | ❖ Responsible for aesthetic medicine product planning, R&D design, manufacturing, marketing sales and customer service. |
| Functional Weaving Materials Division | ❖ Responsible for functional weaving materials product planning, manufacturing, marketing sales and customer service. |
| Medical Pack Consumables Division | ❖ Responsible for medical package consumables product planning, manufacturing, marketing sales and customer service. |
| Battery Materials Division | ❖ Responsible for Advanced Battery Materials product planning, manufacturing, marketing sales and customer service. |
| Display Materials Division | ❖ Responsible for display materials product planning, manufacturing, marketing sales and customer service. |
| Optical Application Product Division | ❖ Responsible for optical application product planning, manufacturing, marketing sales and customer service. |
| Manufacturing Improvement Center | ❖ Make overall planning of development of advanced equipment for manufacturing, environmental security of factory affairs and industrial engineering planning related matters. |
| Overseas Operation Center | ❖ Responsible for related operation in Suzhou plant and Wuhu plant. |
| Operation Support Unit | ❖ Including finance, legal affairs and regulation, human resources, information technology, brand management, strategic planning, and other functions. |

## Director, Supervisor, and Management Team

### (I) Directors and Supervisors

#### 1. Basic information

April 2, 2023 Unit: shares; %

| Position | Nationality/ Place of Registration | Name | Gender Age | Date Elected | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor's current Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | % | Number of Shares | % | Number of Shares | % | Number of Shares | % | | | Position | Name | Relationship | |
| Chairman | R.O.C. | Qisda Corporation (Note 2) | - | 2022.06.16 | 3 years | 1998.07.06 | 43,659,294 | 13.61% | 43,659,294 | 13.61% | - | - | - | - | Ph., D., Swiss Federal Institute of Technology in Zurich<br>M.S., Materials & Engineering, University of Utah<br>Director and Executive Vice President of Darfon Electronics Corp.<br>Development Manager of Philips Taiwan Ltd. | Chairman and CEO of BenQ Materials Co., Ltd.<br>Director of LAGIS ENTERPRISE CO., LTD.<br>Chairman of Cenefom Corporation Limited<br>Director of BenQ Foundation<br>Chairman of Circular Taiwan Foundation | - | - | - | Note 1 |
| | R.O.C. | Representative: Zhien-Chi (Z.C) Chen | Male 61-70 years old | | | | - | - | 1,359,100 | 0.42% | 31,020 | 0.01% | - | - | | | | | | |
| Director | R.O.C. | Kuen-Yao (K.Y.) Lee | Male 71-75 years old | 2022.06.16 | 3 years | 2009.02.20 | 4,580,396 | 1.43% | 4,580,396 | 1.43% | 775,001 | 0.24% | - | - | MBA, Switzerland IMD<br>Chairman of Qisda Corp.<br>Chairman of AU Optronics Corp. | Chairman of BenQ Corp.<br>Chairman of BenQ Foundation<br>Director of Qisda Corp.<br>Director and Executive Vice President of Darfon Electronics Corp. | - | - | - | - |
| Director | R.O.C. | Qisda Corporation (Note 2) | - | 2022.06.16 | 3 years | 1998.07.06 | 43,659,294 | 13.61% | 43,659,294 | 13.61% | - | - | - | - | The Graduate Institute of Technology & Innovation Management, National Chengchi University<br>M.S., International Business Management, Thunderbird School of Global Management<br>B.S., Electrical Engineering, National Cheng Kung University<br>Technology Product Center Executive Vice President, BenQ Corp. | Chairman and CEO of Qisda Corp.<br>Chairman of BenQ Medical Tech<br>Chairman of Partner Tech Corp.<br>Chairman of DFI Inc.<br>Vice Chairman of Alpha Network Inc.<br>Director and Executive Vice President of Darfon Electronics Corp.<br>Director of Hitron Technologies Inc.<br>Director of BenQ Foundation<br>Director of BenQ Corp. | - | - | - | - |
| | R.O.C. | Representative: Peter Chen | Male 61-70 years old | | | | - | - | 72,825 | 0.02% | - | - | - | - | | | | | | |
| Director | R.O.C. | Qisda Corporation (Note 2) | - | 2022.06.16 | 3 years | 2022.06.16 | 43,659,294 | 13.61% | 43,659,294 | 13.61% | - | - | - | - | Ph.D., Department of Optoelectronics, Jiaotong University<br>Deputy General Manager of Optical Functional Film Materials Division, BenQ Materials Corp.<br>General Manager of Funcitonal Film Group, BenQ Materials Corp. | General Manager of BenQ Materials Corp. | - | - | - | - |
| | R.O.C. | Representative: Ray Liu | Male 51-55 years old | 2022.06.16 | 3 years | 2022.06.16 | - | - | 153,894 | 0.05% | | | - | - | | | - | - | - | - |
| Director | R.O.C. | BenQ Corporation | - | 2022.06.16 | 3 years | 2007.10.17 | 80,847,763 | 25.21% | 80,847,763 | 25.21% | - | - | - | - | M.S., Business | Chairman of BenQ Asia Pacific | - | - | - | - |

| Position | Nationality/ Place of Registration | Name | Gender Age | Date Elected | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor's current Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | % | Number of Shares | % | Number of Shares | % | Number of Shares | % | | | Position | Name | Relationship | |
| | | (Note 2) | | | | | | | | | | | | | Administration, University of Southern Mississippi | Corp. | | | | |
| | R.O.C. | Representative: Conway Lee | Male 61-70 years old | | | | - | - | 99,161 | 0.03% | - | - | - | - | Chairman of SIGMA Medical Supplies Corp. | Chairman of Infty Corp.<br>Director and General Manager of BenQ Corp.<br>Director of BenQ Foundation | - | - | - | |
| Independent Director | R.O.C. | Frank Yeh | Male 61-70 years old | 2022.06.16 | 3 years | 2003.05.22 | - | - | - | - | - | - | - | - | Electronic Engineering, Feng Chia University<br>Director and CEO of WPG<br>General Manager of Arrow Electronics Taiwan Ltd. | Director and General Manager of WPG Holdings Ltd.<br>Director of WPG Holdings & Director of its Affiliated Venture;<br>Independent Director of Senao International Cp., Ltd. | - | - | - | - |
| Independent Director | R.O.C. | Louis Y. Y. Lu | Male 61-70 years old | 2022.06.16 | 3 years | 2019.06.19 | - | - | - | - | - | - | - | - | Ph.D. Business and Management, National Chiao Tung University<br>M.S., Computer Science, National Chiao Tung University<br>Dean, College of Management, Yuan Ze University<br>Manager of BenQ Corporation<br>Director of Grand Cathay Venture Capital Co., Ltd. | None | - | - | - | - |
| Independent Director | R.O.C. | Gong Wang | Male 71-75 years old | 2022.06.16 | 3 years | 2022.06.16 | - | - | - | - | - | - | - | - | PhD in Industrial Economics and Transportation Economics, Massachusetts Institute of Technology<br>Independent Director of Formosa Taffeta Co.,Ltd<br>Independent Director of Qisda Corporation<br>Chair Professor, Enterprise Management Department, China University of Technology (CUTe) | Supervisor of PTOT Inc. Headquarter, Taipei | - | - | - | - |
| Independent Director | R.O.C. | Tri-Rung Yew | Female 61-65 years old | 2022.06.16 | 3 years | 2022.06.16 | - | - | - | - | - | - | - | - | PhD in Materials Science Engineering, Massachusetts Institute of Technology<br>Vice President of R&D, United Microelectronics Corporation (UMC)<br>Chief Technology Officer （CTO）,Solar Applied Materials Technology Corporation (SOLAR)<br>Consultant of UMC Capital | Distinguished Professor, Department of Materials Science and Engineering, National Tsing Hua University | - | - | - | Note 2 |

(Note 1) The director and the general manager or equivalent (executive manager) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation:

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

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

(Note 2) Independent Director, Tri-Rung Yew, resigned on October 19, 2022

Note 2: **Major shareholders of corporate shareholders**

| Name of Institutional Shareholder | Major shareholders of corporate shareholders | Shareholding Ratio (%) |
|---|---|---|
| Qisda Corporation (Note 3) | AU Opreonics Corporation (Note 4) | 17.04 |
| | Acer Incorporated (Note 4) | 4.15 |
| | Kangli Investment Co., Ltd. | 2.55 |
| | Taishin International Commercial Bank is entrusted with Jiasida Technology's employee shareholding trust property account | 2.08 |
| | Darfon Electronic Corporation | 2.03 |
| | Citi (Taiwan) Commercial Bank is entrusted with the investment account of Poluning Development National Fund Co., Ltd | 1.03 |
| | Citi (Taiwan) Commercial Bank is entrusted of Banguard's emerging market stock index fund investment account | 1.03 |
| | Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds | 0.96 |
| | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 0.93 |
| | Investment account for Cleo Investment Co., Ltd. under the custody of Taishin International Commercial Bank | 0.87 |
| BenQ Corporation | Qisda Corporation | 100.00 |

Note 3: Qisda Corporation's data source is based on the company's shareholder register on the base date of closing the transfer on April 1, 2022; BenQ Corporation is a subsidiary 100% held by Qisda Corporation.

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

| Name of Institutional Shareholder | **Major shareholders of corporate shareholders** (Note 5) | Shareholding Ratio (%) |
|---|---|---|
| AUO Corporation | Qisda Corporation | 6.90 |
| | Trust Holding for Employees for AU Optronics Corp. with the custody of HSBC Bank | 4.88 |
| | Acer Incorporate | 4.61 |
| | AUO Corporation overseas depositary receipts account under custody of Citic Bank | 2.63 |
| | CTBC Bank is entrusted with the investment account of Yuanta/P-shares Taiwan Dividend Plus ETF | 1.40 |
| | Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds | 1.05 |
| | New Labor Pension Fund | 0.91 |
| | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 0.79 |
| | Investment account for Goldman Sachs under the custody of Hong Kong HSBC Taipei Branch | 0.77 |
| | Fubon Life Insurance Co., Ltd. | 0.62 |
| Acer Incorporated | Hung Rouan Investment Corp. | 2.42 |
| | Taishin International Commercial Bank is entrusted with the investment account of Cathay High Dividend Taiwan Equity Cathay Sustainability High Dividend ETF | 1.87 |
| | The investment account of Fubon Taiwan high dividend 30 ETF | 1.42 |
| | Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds | 1.32 |
| | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 1.23 |
| | Stan Shih | 1.15 |
| | Youfu Investment Co., Ltd. | 1.10 |
| | Sales Department of Standard Chartered International Commercial Bank is entrusted with custody of iShares ESG Aware MSCI EM ETF investment account | 0.95 |
| | Acer GDR | 0.94 |
| | American JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the investment account of University Pension Scheme Co., Ltd. | 0.81 |
| Darfon Electronic Corporation | Qisda Corporation- | 20.72 |
| | BenQ Corporation | 5.01 |
| | Taishin International Commercial Bank is entrusted with Darfon Electronics Corp. property account's employee shareholding trust property account | 1.79 |
| | Mega International Commercial Bank Co., Ltd. | 1.62 |
| | Su, Kai-Chien | 1.45 |
| | Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds | 1.12 |
| | Chang Hwa Commercial Bank, Ltd. | 1.11 |
| | Citi (Taiwan) Commercial Bank is entrusted with Banguard's emerging market stock index fund investment account | 1.02 |
| | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 0.95 |
| | HSBC is entrusted with Mitsubishi UFJ, J.P.Morgan - three-party SBL transaction | 0.93 |

Note 5: AU Optronics Corporation's major shareholders are based on the company's shareholder register on the base date of closing the transfer on July 2, 2021; The major shareholders of Acer Incorporated are based on the company's shareholder register on April 12, 2022, on the basis of the closing date; Kangli Investment Co., Ltd. is a 100% holding subsidiary of AU Optronics Corporation; Darfon Electronics Corporation's major shareholders are based on the company's shareholder register on April 18, 2022, on the basis of the closing date.

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

2022-12-31

| Qualifications / Name | Professional Qualification and Experience (Note 1) | Independence Criteria (Note 2) | Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director |
|---|---|---|---|
| Representative of Qisda Corporation: Zhien-Chi (Z.C) Chen | The existing Chairman and CEO of BenQ Materials Co., Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | N/A | 0 |
| Kuen-Yao (K.Y.) Lee | The existing Chairman of BenQ Materials Co., Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | N/A | 0 |
| Representative of Qisda Corporation: Peter Chen | The existing Chairman and CEO of Qisda Corporation., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | N/A | 0 |
| Representative of Qisda Corporation: Ray Liu | The existing General Manager of BenQ Materials Co., Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | N/A | 0 |
| Representative of BenQ Corporation: Conway Lee | The existing Chairman and General Manager of BenQ Co., Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | N/A | 0 |
| Frank Yeh | The existing Deputy Chairman of WPG Holdings Ltd., shall be equipped with business, financial and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | Qualified | 1 |
| Louis Y. Y. Lu | Former Dean, College of Management, Yuan Ze University, shall be equipped with business, finance and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | Qualified | 0 |
| Gong Wang | The existing Supervisor of PTOT Inc. Headquarter, Taipei, shall be equipped with business, finance and accounting experience, etc., and other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | Qualified | 0 |
| Tri-Rung Yew (Note 3) | The existing Distinguished Professor, Department of Materials Science and Engineering, National Tsing Hua University, shall be equipped with work experience in the technology industry. And other experiences shall be subject to Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches (I) Directors and Supervisors. | Qualified | 0 |

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

(Note 2)

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

(Note 3) Independent Director, Tri-Rung Yew, resigned on October 19, 2022.

## 2. Other resource

(1) The Board of Director Diversity

- It has been clearly specified by our company in the Code of Corporate Governance that, members of the Board of Directors should be of diversified constitution. Directors who concurrently serve as company managers should not exceed one-third of the directors' seats and appropriate diversification policies should be formulated for their own operations, operating types and development needs, but not limited to the following two major standards: (1) Basic conditions and values: gender and age, etc., (2) Professional knowledge and skills: professional background, professional skills and industry experience, etc.
- There are currently 8 members of the board of directors, all of whom have rich professional and practical experience, including business management, academic research, industrial knowledge, legal and accounting capabilities.
- Management objectives achieved:
  (1) The number of directors serving as the manager of the company should not exceed one-third of the number of directors.
  (2) The number of independent directors exceeds one-third.
- The Company's fulfillment of diversification of members of the Board of Directors in 2022 is as follows:

| Name | Position | Nationality | Gender | The tenure of office of Independent Directors | | | Professional knowledge and skills | | | | Age | | | Employee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Under 3 years | 3-9 years | Over 9 years | Business Management | Academic Research | Industry Knowledge | Legal Accounting | 50-60 years old | 61-65 years old | 66-70 years old | |
| Zhien-Chi (Z.C) Chen | Chairman | R.O.C. | Male | | | | V | | V | | | V | | V |
| Kuen-Yao (K.Y.) Lee | Director | R.O.C. | Male | | | | V | | V | | | | V | |
| Peter Chen | Director | R.O.C. | Male | | | | V | | V | | | V | | |
| Ray Liu | Director | R.O.C. | Male | | | | V | | V | | V | | | V |
| Conway Lee | Director | R.O.C. | Male | | | | V | | V | | | V | | |
| Frank Yeh | Independent Director | R.O.C. | Male | | | V | V | | V | | | | V | |
| Louis Y. Y. Lu | Independent Director | R.O.C. | Male | | V | | | V | | V | | | V | |
| Gong Wang | Independent Director | R.O.C. | Male | V | | | V | V | | V | | | V | |

(2) Independence of board of directors

There are total 8 existing board members, 3 of which are independent directors, accounting for 37.5% of all director members. Among the members of the board of directors, none of the conditions listed in Article 30 of the Company Law, and all independent directors meet the requirements of the Securities and Futures Bureau of the Financial Supervisory Commission for independent directors. There is no relationship between the directors with the spouse or within the second degree of kinship. Therefore, there is no circumstance specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act. The company believes that the board of directors of the company meets the requirements for independence.

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

April 2, 2023 Unit: shares; %

| Position (Note 1) | Nationality | Name | Gender | Date Elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at Aurora and Other Companies | Managerial Officer who Are Spouses or within the Second Degree of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of Shares | % | Number of Shares | % | Number of Shares | % | | | Position | Name | Relationship | |
| CEO | R.O.C. | Zhien-Chi (Z.C) Chen | Male | 2013.10.01 | 1,359,100 | 0.42% | 31,020 | 0.01% | - | - | Ph., D., Swiss Federal Institute of Technology in Zurich<br>M.S., Materials & Engineering, University of Utah<br>Director and Executive Vice President of Darfon Electronics Corp.<br>Development Manager of Philips Taiwan Ltd. | Director of LAGIS ENTERPRISE CO., LTD.<br>Director of BenQ Foundation<br>Chairman of Circular Taiwan Network (Note 2) | - | - | - | Note 3 |
| General manager | R.O.C. | Ray Liu | Male | 2017.08.01 | 153,894 | 0.05% | - | - | - | - | Ph.D., Department of Optoelectronics, Jiaotong University | None | - | - | - | Note 3 |
| Vice President | R.O.C. | Oliver Liu | Male | 2009.12.01 | 315,030 | 0.10% | - | - | - | - | M.S., Department of Optoelectronics, Jiaotong University | Director of Visco Vision Inc. | - | - | - | |
| Vice President | R.O.C. | Charles Liu | Male | 2015.11.01 | 82,890 | 0.03% | - | - | - | - | MS., Department of Inorganic Chemistry, Saitama University<br>Japan Executive Vice President of Sumika Technology Co., Ltd | (Note 2) | - | - | - | |
| Vice President | R.O.C. | Li-chuan Chiu | Female | 2022.01.06 | 326 | 0.00% | NA | - | - | - | M.S., Department of Materials Engineering, Jiatong University | (Note 2) | - | - | - | Note 4 |
| Senior Manager | R.O.C. | Lung-hai Wu | Male | 2010.07.01 | 826 | 0.00% | 517 | 0.00% | - | - | Ph.D., Department of Applied Chemistry, Jiaotong University<br>Project Manager of Technology Department of Optimax Technology Corporation | None | - | - | - | |
| Senior Manager | R.O.C. | Chen-kuan Kuo | Male | 2014.01.01 | 47,558 | 0.01% | - | - | - | - | Ms., Department of Chemistry, Tamkang University<br>Research and Development Manager of Optimax Technology Corporation | None | - | - | - | |
| Senior Manager | R.O.C. | Ting-yuan Chiang | Male | 2014.01.01 | 47,372 | 0.01% | 37,611 | 0.01% | - | - | Ms., Department of Earth and Environmental Science, Chung Cheng University | (Note 2) | - | - | - | |
| Senior Manager | R.O.C. | Chao-yi Yang | Female | 2015.04.01 | 47,370 | 0.01% | - | - | - | - | Ms., Department of Business Administration<br>J&J Product Manager<br>CIBA Vision Marketing Manager | None | - | - | - | |
| Finance Associate General Manager | R.O.C. | Sheng-hsiang Wang | Male | 2006.03.01 | 220,852 | 0.07% | - | - | - | - | MS., Enterprise Research Institute of Chuo University<br>Department of Statistics, Fu Jen University | (Note 2) | - | - | - | |
| The manager who holds the shares of the company in the name of others: none.<br>The manager, who has a spouse or a relative within the second degree of kinship, is the supervisor of the company: none. | | | | | | | | | | | | | | | | |

Note 1: The incumbent manager of the company at the end of 2022.

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

Note 3: The director and the general manager or equivalent (executive manager) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation:
The purpose of the chairman serves as the CEO of the Company is to improve operating efficiency and decision-making execution. However, and strengthen the independence of the board of directors; the Company has actively trained suitable candidates; in addition, the chairman also communicates closely with the directors on company operation to achieve the corporate governance. In the future, the Company will plans to increase the number of independent directors to enhance the functions of the board of directors and strengthen the supervision function. At present, the Company has the implementation as following:

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

Note 4: Dismissed on January 4, 2023.

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

### 1. Remuneration of General Directors and Independent Directors

December 31, 2022 Unit: NT$ thousand

| Position | Name | Remuneration Paid to Directors | | | | | | | | Total remuneration (A+B+C+D) as a percentage of net income (%) | | Relevant Remuneration Received by Directors who Are Also Employees | | | | | | | | The Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) | | Remuneration from Invested Companies Other than Subsidiaries or the Parent Company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Compensation (A) (Note 1) | | Severance Pay and Pension (B) | | Directors' Remuneration (C) (Note 2) | | Business Execution Expenses (D) (Note 3) | | | | Salary, Bonus, and Allowance (E) (Note 4) | | Severance Pay and Pension (F) | | Employee Compensation (G) (Note 5) | | | | | | |
| | | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | | All Companies in Consolidated Financial Statements | | The Company | All Companies in Consolidated Financial Statements | |
| | | | | | | | | | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| Corporate Director | Qisda Corporation | 7,000 | 7,000 | - | - | 8,423 | 8,423 | 300 | 300 | 15,723/ 1.21 | 15,723/ 1.21 | 34,101 | 34,101 | 108 | 108 | 10,200 | - | 10,200 | - | 60,132/ 4.64 | 60,132/ 4.64 | 109,905,460 |
| Director Representative of Corporate Shareholder Chairman and Chief Executive | Zhien-Chi (Z.C) Ch | | | | | | | | | | | | | | | | | | | | | |
| Director Representative of Corporate Shareholder | Peter Chen | | | | | | | | | | | | | | | | | | | | | |
| Director Representative of Corporate Shareholder | Ray Liu | | | | | | | | | | | | | | | | | | | | | |
| Corporate Director | BenQ Corporation | | | | | | | | | | | | | | | | | | | | | |
| Director Representative of Corporate Shareholder | Conway Lee | | | | | | | | | | | | | | | | | | | | | |
| Director | Kuen-Yao (K.Y.) Le | | | | | | | | | | | | | | | | | | | | | |
| Director | Eric Yu | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Frank Yeh | 4,646 | 4,646 | - | - | 4,025 | 4,025 | 200 | 200 | 8,871/ 0.68 | 8,871/ 0.68 | - | - | - | - | - | - | - | - | 8,871/ 0.68 | 8,871/ 0.68 | - |
| | Chiou-Ming Chen | | | | | | | | | | | | | | | | | | | | | |
| | Louis Y. Y. Lu | | | | | | | | | | | | | | | | | | | | | |
| | Gong Wang | | | | | | | | | | | | | | | | | | | | | |
| | Tri-Rung Yew (Note 6) | | | | | | | | | | | | | | | | | | | | | |

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

Note 1: The directors' compensations in the year 2022 (include salary, allowances, severance pay, and various awards and bonuses.)
Note 2: The directors compensation of 2022.
Note 3: Expense relating to business execution by directors in the year 2022 (include transportation allowances, special allowances, various subsidies, accommodations, and personal cars etc.)
Note 4: The directors serving as employees in the year 2022 (include those concurrently serving as CEO, General Manager, Assistant General Manager, or other managerial officers and employees) who receive salaries, supervisors' allowances, severance pay, bonuses, incentive payment, traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc.
Note 5: In the year 2022, directors who concurrently serve as employee (including concurrently serve as Chairman, General Manager, Assistant General Manager, other managerial officers and employees) who receive employee compensation (including stock and cash dividends.)
Note 6: Independent Director, Tri-Rung Yew, resigned on October 19, 2022.

## Range of Remuneration

| Range of Remuneration Paid to Directors | Name of Director | | | |
|---|---|---|---|---|
| | Total Amount of Remuneration (A+B+C+D) | | Total Amount of Remuneration (A+B+C+D+E+F+G) | |
| | The Company | All Companies in Consolidated Financial Statements | The Company | All consolidate affiliates |
| Less than NT$1,000,000 | Zhien-Chi (Z.C) Chen, Peter Chen, Conway Lee, Ray Liu | Zhien-Chi (Z.C) Chen, Peter Chen, Conway Lee, Ray Liu | Peter Chen, Conway Lee, Ray Liu | Conway Lee, Ray Liu |
| NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive) | Eric Yu, Chiou-Ming Chen, Gong Wang, Tri-Rung Yew | Eric Yu, Chiou-Ming Chen, Gong Wang, Tri-Rung Yew | Eric Yu, Chiou-Ming Chen, Gong Wang, Tri-Rung Yew | Eric Yu, Chiou-Ming Chen, Gong Wang, Tri-Rung Yew |
| NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive) | Kuen-Yao Lee, Louis Y.Y Lu, BenQ Corporation, Frank Yeh | Kuen-Yao Lee, Louis Y.Y Lu, BenQ Corporation, Frank Yeh | Kuen-Yao Lee, Louis Y.Y Lu, BenQ Corporation, Frank Yeh | Louis Y.Y Lu, BenQ Corporation, Frank Yeh |
| NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive) | - | - | - | - |
| NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive) | - | - | - | - |
| NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive) | Qisda Corporation | Qisda Corporation | Qisda Corporation | Qisda Corporation, Kuen-Yao Lee |
| NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive) | - | - | Zhien-Chi (Z.C) Chen | Zhien-Chi (Z.C) Chen |
| NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive) | - | - | - | |
| NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive) | - | - | - | Peter Chen |
| Over NT$100,000,000 | - | - | - | - |
| Total | 13 persons (including 2 legal persons) | 13 persons (including 2 legal persons) | 13 persons (including 2 legal persons) | 13 persons (including 2 legal persons) |

### 2. Remuneration paid to Supervisors: Note applicable.

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

December 31, 2022 Unit: NT$ thousand

| Position | Name | Salary (A) | | Severance Pay and Pension (B) | | Remuneration (C) | | Employee Compensation (D) (Note) | | | | Total remuneration (A+B+C+D) as a percentage of net income (%) | Remuneration from Invested Companies Other than Subsidiaries or the Parent Company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | | All Companies in Consolidated Financial Statements | | | |
| | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | |
| CEO | Zhien-Chi (Z.C) Chen | 15,857 | 15,857 | 324 | 324 | 36,397 | 36,397 | 18,150 | - | 18,150 | - | 70,728/5.46 | - |
| General manager | Ray Liu | | | | | | | | | | | | |
| Vice President | Oliver Liu | | | | | | | | | | | | |
| Vice President | Charles Liu | | | | | | | | | | | | |
| Vice President | Li-chuan Chiu | | | | | | | | | | | | |

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

**Range of Remuneration**

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

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

Unit: NT$ thousand

| Item | Position (Note 1) | Name (Note 1) | Stock amount (Note 2) | Cash amount (Note 2) | Grand Total (Note 2) | Ratio of Total Amount to Net Income (%) |
|---|---|---|---|---|---|---|
| Managerial Officer | CEO | Zhien-Chi (Z.C) Chen | - | 25,980 | 25,980 | 25,980<br>2.01% |
| | General manager | Ray Liu | | | | |
| | Vice President | Oliver Liu | | | | |
| | Vice President | Charles Liu | | | | |
| | Vice President | Li-chuan Chiu | | | | |
| | Senior Manager | Lung-hai Wu | | | | |
| | Senior Manager | Chen-kuan Kuo | | | | |
| | Senior Manager | Ting-yuan Chiang | | | | |
| | Senior Manager | Chao-yi Yang | | | | |
| | Finance Associate General Manager | Sheng-hsiang Wang | | | | |

Note 1: The incumbent manager of the company at the end of 2022.

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

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

| Year / Item | 2022 | | 2021 | |
|---|---|---|---|---|
| | The Company | All consolidated entities | The Company | All consolidated entities |
| After-tax (loss) profit (NT$ thousand) | 1,295,670 | 1,295,670 | 971,555 | 971,555 |
| Ratio of compensation paid to Directors by the Company (%) | 1.9 | 1.9 | 2.24 | 2.24 |
| Ratio of compensation for Managers such as deputy general manager or above paid by the Company (%) | 5.46 | 5.46 | 5.36 | 5.36 |

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

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

(1) The remuneration of directors of the Company is issued by the board of directors in accordance with the authorization of the Company's Articles of Association. According to the degree of directors' participation in the Company's operation and 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, in accordance with Article 19 of the company's articles of association, decide on the director's remuneration for the current year within the amount not exceeding 1% of the current year's profit. The company regularly evaluates the remuneration of directors in accordance with the "Methods to Evaluate Performance of Directors". The relevant performance evaluation and the rationality of remuneration have been reviewed and approved by the Remuneration Committee and the Board of Directors.

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

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

## The State of the Company's Implementation of Corporate Governance

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

I. A total of 6 meetings of the Board of Directors were held in 2022. The Directors and Supervisors' attendance status is as follows:

| Position | Name | Attendance in Person | Attendance by Proxy | Attendance Rate (%) | Note |
|---|---|---|---|---|---|
| Chairman | Representative of Qisda Corporation: Zhien-Chi (Z.C) Chen | 6 | 0 | 100% | 2022/6/16 re-election |
| Director | Representative of Qisda Corporation: Peter Chen | 6 | 0 | 100% | 2022/6/16 re-election |
| Director | Representative of Qisda Corporation: Ray Liu | 3 | 0 | 100% | 2022/6/16 re-election |
| Director | Representative of BenQ Corporation: Conway Lee | 6 | 0 | 100% | 2022/6/16 re-election |
| Director | Kuen-Yao (K.Y.) Lee | 6 | 0 | 100% | 2022/6/16 re-election |
| Director | Eric Yu | 3 | 0 | 100% | 2022/6/16 Retired |
| Independent Director | Frank Yeh | 6 | 0 | 100% | 2022/6/16 re-election |
| Independent Director | Chiou-Ming Chen | 3 | 0 | 100% | 2022/6/16 Retired |
| Independent Director | Louis Y. Y. Lu | 6 | 0 | 100% | 2022/6/16 re-election |
| Independent Director | Gong Wang | 3 | 0 | 100% | 2022/6/16 Newly elected |
| Independent Director | Tri-Rung Yew | 2 | 0 | 100% | 2022/6/16 Newly elected; October 19 resigned |

Other matters to be recorded:

1. If any of the following circumstances occur during board meetings, the date of said meeting, session, proposal content, all independent director opinions, and the Company's responses to said independent director opinions:
   (1) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee; Article 14-3 does not apply. For an explanation of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the state of operation of the Audit Committee (page 17).
   (2) Any recorded or written Board resolutions to which Independent Directors have objections or reservations to be noted in addition to the above: None.
2. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of the proposal, reasons for recusal, and results of voting shall be specified:

| Meeting date of Board of Directors | Name of Director | Contents of the proposal | Reasons for recusal | Results of voting |
|---|---|---|---|---|
| 2022.02.24 | Directors: Zhien-Chi (Z.C) Chen, Kuen-Yao Lee, Peter Chen, Conway Lee | Approval of the donation to the BenQ Foundation | Served as a director of the BenQ Foundation | Do not participate in discussion and voting |
| 2022.05.03 | Director Kuen-Yao Lee | Proposed acquisition of real property right-of-use assets | Served as a director of AU Optronics Corporation | Do not participate in discussion and voting |
| 2022.06.16 | Independent directors: Frank Yeh, Louis Y. Y. Lu, Gong Wang, Tri-Rung Yew | Proposed appointment of members of the Remuneration Committee | Appointee for this case | Do not participate in discussion and voting |
| 2022.08.04 | Directors: Zhien-Chi (Z.C) Chen, Ray Liu | Review the manager bonus and annual salary approval plan in 2021 | Served as the manager of the Company | Do not participate in discussion and voting |

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

| Frequency | Period | Scope | Method | Content |
|---|---|---|---|---|
| Once a year | 2022.01~ 2022.12 | The board of directors and Functional Committees (including Audit Committee and Remuneration Committee) | Self-evaluation of the board of directors and Functional Committees (including Audit Committee and Remuneration Committee) | • The performance evaluation of the board of directors and its individual members includes five major aspects: participation in the operation of the Company, improvement in the quality of decision-making of the board of directors, Board composition and structure, appointment of directors and their continued development, and internal controls.<br>• The performance evaluation of the Functional Committees includes five major aspects: participation in the operation of the Company, understanding of the responsibilities of the Functional Committees, improvement in the quality of decision-making of the Functional Committees, the composition of the Functional Committees, and the election of committee members, and internal control. |

4. External appraisal report of BOD performance of the Company

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

Other overall appraisal and suggestions are as follows:

| Overall appraisal | Suggestions |
|---|---|
| 1. In early planning stage of operation strategy and annual budget, the Company shall report to the Board of Directors for appropriate suggestions.<br>2. The company makes regular risk management report to the Audit Committee and the Board of Directors, so as to supervise the company's management and control of business risks efficiently.<br>3. The company includes the contact experts and scholars into the Directors' Talent Base, so as to guarantee that the company can select new directors meeting the company's development requirements.<br>4. The company invites professional independent institution for appraisal of BOD performance, showing that the company takes the initiative in implementing corporate governance and improving BOD efficiency. | 1. It is suggested making separate appraisal of BOD and BOD members, for the sake of post-appraisal review and enhancement.<br>2. It is suitable to formulate measures for appraisal of CPAs, and it is suggested leaving written records on communication between the auditors, CPAs and the Audit Committee.<br>3. It is suggested that the Audit Committee should participate in formulation and performance appraisal of Audit Supervisor.<br>4. It is suitable to establish written system for introducing operation, etc. of the company to new directors.<br>5. It is suggested that the company website should set highly independent accepting channel. |

5. The objectives of strengthening the functions of the board of directors in the current year and the most recent year (such as the establishment of an Audit Committee, the enhancement of information transparency, etc.) and the assessment of implementation.

(1) AUO's Board of Directors' duties include: supervising the company's strategy, monitoring the management and the operation and arrangement of corporate governance system. It is also responsible for the company and the shareholders, and shall exercise its powers in accordance with the law, company regulations, or the resolutions of the shareholders' meetings.

(2) At least one independent director of the Company's board of directors attended the meeting in person, and all the independent directors attended the board of directors' resolutions in Article 7 of the Rules of Procedures for Board Meetings in the most recent year and the year up to the date of publication of the annual report.

(3) The Company chose to establish an independent director and an Audit Committee on November 16, 2007, during the shareholders' interim meeting and set up a Remuneration Committee on October 25, 2011. This plan has helped strengthen the functions of the board of directors and implement corporate governance.

(4) The independent directors of the Company meet regularly for discussion. Accountants, internal audit, legal affairs, finance, risk control and other units are invited to report and ask the independent directors for the latest financial statement review, internal audit results, litigation cases, and financial affairs. Information such as business overview enables independent directors to assist investors to ensure credibility in corporate governance and information transparency to protect shareholders 'rights.

(5) According to the "Methods to Evaluate Performance of Directors" passed by the Company's BOD on May 6, 2019, the board and directors have to be evaluated at least one time every year, and receive external appraisal once every three years. The Company completed the self-evaluation of the Board of Directors at the end of 2022, and reported the evaluation results to the Board of Directors on February 23, 2023.

(6) The Board of Directors appointed a Corporate Governance Officer on May 6, 2019, responsible for corporate governance matters, including handling of matters relating to Board, Audit Committee, Remuneration Committee, and Shareholders' meetings in compliance with the law, assistance in onboarding and continuing education of directors, provision of information required for the performance of the duties by directors, and assistance in directors' compliance of law, etc.

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

A total of 5 Audit Committee meetings were held in the most recent year. The attendance of the independent directors was as follows:

| Position | Name | Attendance in Person | Attendance by Proxy | Attendance Rate (%) | Note |
|---|---|---|---|---|---|
| Convener | Frank Yeh | 5 | 0 | 100% | 2022/6/16 re-election |
| Committee Member | Chiou-Ming Chen | 3 | 0 | 100% | 2022/6/16 Retired |
| Committee Member | Louis Y. Y. Lu | 5 | 0 | 100% | 2022/6/16 re-election |
| Committee Member | Gong Wang | 2 | 0 | 100% | 2022/6/16 Newly elected |
| Committee Member | Tri-Rung Yew | 1 | 0 | 100% | 2022/6/16 Newly elected; October 19 resigned |

Other matters to be recorded:

1. In case of any of the following situations in the operation of the Audit Committee, the date, session, content of the proposal, resolution
of the Audit Committee, and the Company's handling of the Audit Committee's opinions should be stated:

   (1) According to Article 14-5 of the Securities and Exchange Act:

| Date of the meeting (session) | Contents of the proposal | Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors |
|---|---|---|
| 2022.01.06<br>First time | None | 1. ESGV |
| 2022.02.24<br>Second time | (I) "Statement of Internal Control System" and Self-Evaluation Implementation Result Report for 2021<br>(II) 2021 Financial Statements, Business Report and the 2022 Business Plan<br>(III) Proposed not continuing to handle the private placement of securities approved by the shareholders' regular meeting in 2021<br>(IV) Proposed issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement<br>(V) Proposed amendment to the "Articles of Association"<br>(VI) Proposed amendments to "Engagement in Derivative Commodity Transaction Disposal Procedures"<br>(VII) Proposed amendments to "Operating Procedures for Fund Lending to Others"<br>(VIII) Proposed amendments to "Implementation Method of Endorsement Guarantee"<br>(IX) Proposed amendments to the "Procedures for the Acquisition and Disposal of Assets" | |
| 2022.05.03<br>Third time | (I) Proposed acquisition of real property right-of-use assets<br>(II) Proposal: Recognition of 2021 Earnings Distribution<br>(III) Proposed ratification of 2022 Q1 financial statements | |
| 2022.08.04<br>Fourth time | (I) Election of the convener and chairman of the meeting<br>(II) Proposed ratification of 2022 Q2 financial statements<br>(III) Proposed to review CPA fees<br>(IV) Plan to participate in the cash capital increase case of the merged subsidiary Cenefom Corp. | |
| 2022.11.01<br>Fifth time | (I) Proposed acquisition of real property right-of-use assets<br>(II) Proposed ratification of 2022 Q3 financial statements<br>(III) Appointed CPAs to the 2023 financial statements of the Company<br>(IV) Proposed acquisition of common stock of WEB-PRO Corp. | |

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

2. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of proposal, reasons for recusal, and results of voting shall be specified: None.

3. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations).

(1) The Company regularly convenes Audit Committee meetings. Where necessary, the independent auditor, audit manager, and relevant managers are invited to the meeting.

(2) The internal audit supervisor regularly submits the audit summary report to the Audit Committee according to the annual audit plan. The Audit Committee also regularly evaluates the Company's internal control system, internal auditors, and their work.

(3) The Audit Committee communicates regularly with the Company's CPAs on the quarterly financial statements review or verification results and other relevant legal requirements to communicate, and conduct an independent review on the selection of CPAs and the audit and non-audit services.

4. Annual Work Priorities and Operational Status:

Annual priorities:

(1) Communicate with the chief internal auditor regularly about the audit reports according to the annual audit plan.
(2) Communicate with CPAs regularly over financial statement review or audit results in each quarter.
(3) Review the financial report.
(4) Assess the effectiveness of internal control system.
(5) Appointment of CPAs.
(6) The independent evaluation of accountants' provision of audit and non-audit services.
(7) Review the objects and amounts of assets, derivative commodities, capital loans and endorsement guarantees and major asset transactions, capital loans and endorsement guarantees.
(8) Regulatory compliance.

2022 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

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

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

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td rowspan="4">Composition and responsibilities of the Board of Directors</td><td>(1) Has the Board developed, and does it implement, a diversity policy and specific management goal for the composition of its members?</td><td>V</td><td></td><td>For the formulation and implementation of the diversity policy of the Board of Directors of the Company, please refer to the annual report page 9.</td><td>No material difference</td></tr>
<tr><td>Does the Company voluntarily establish other Functional Committees in addition to the Remuneration Committee and Audit Committee, which are required by law?</td><td>V</td><td></td><td>1. The Company has set up an Audit Committee. Please refer to the page 17 of the annual report for the operation.<br>2. The Company has set up a Remuneration Committee. Please refer to the page 24 of the annual report for the operation.<br>3. The Company has set up a risk management committee. Please refer to the risk management chapter on page 78 of the annual report for the operation.<br>4. The Company does not have a nomination committee, but in practice, the Company's directors (including independent directors) are elected by the candidate nomination system. The list of candidates for current directors (including independent directors) is proposed by shareholders who hold more than 1% of the Company's total shares, and the list of candidates is reviewed by the board of directors in accordance with the law and submitted to the shareholders' general meeting for selection.</td><td>No material difference</td></tr>
<tr><td>Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?</td><td>V</td><td></td><td>1. The Board of Directors of the Company passed the "Methods to Evaluate Performance of Directors" on May 6, 2019. For the method of performance evaluation and its implementation, please refer to the annual report page 15 for the operation.<br>2. According to Article 19 of the Company's articles of association, the director's remuneration of the company shall not exceed 1% of the annual profit. The Remuneration Committee and the Board of Directors determine director remuneration and consider nominations for re-election based on the company's operating results and the "Remuneration Measures for Directors and Functional Committee Members" and with reference to performance evaluation results.</td><td>No material difference</td></tr>
<tr><td>Does the Company regularly evaluate the independence of the CPAs?</td><td>V</td><td></td><td>The Audit Committee and the Board of Directors of the Company regularly evaluate the independence of certified accountants every year, require certified accountants to provide a "Declaration of Detached Independence" every year, and plan to refer to the "Audit Quality Indicators (AQIs)". The certified CPAs and the Company have no other financial interests or business relationship exception for visa and taxation fees. Confirm that the accounting firm (CPAs and members of its audit team) does not violate the requirements of independence, and submit it to the Audit Committee and the board of directors for relevant reports and evaluations.<br>Below is a summary of the evaluation mechanism:<br>1. CPAs of the Company is not related party with either the Company or its Directors.<br>2. the Company complies with the provisions of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies to handle the rotation of CPAs.<br>3. The Company obtained an independent statement issued by the accountant.<br>The evaluation results are as follows:<br>1. Independence between the CPAs and the Company complies with relevant provisions of the Certified Public Accountant Act of the Republic of China, Code of Professional Ethics for Certified Public Accountant.<br>2. The Company has not commissioned the same CPA for five consecutive years.</td><td>No material difference</td></tr>
</table>

| Evaluation Item | | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|---|
| | | Yes | No | Description | |
| | Has the TWSE/TPEx listed company appointed competent and appropriate corporate governance personnel and corporate governance officer be in charge of corporate governance affairs (including but not limited to providing directors and supervisors with the information necessary to carry out their duties, assisting directors' compliance with the law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)? | V | | The Finance Department is in charge of corporate governance, and the CFO Mr. Sheng-Hsiang Wang is appointed as the Corporate Governance Officer by the BOD,<br>responsible for corporate governance-related matters, and its qualification meets the first<br>item of Article 3, Item 1 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies of the Company's governing officer. Their eligibility is reported to the board of directors every year, and they continue to study every year in accordance with the regulations.<br>The major duties for the corporate governance officer are as follows:<br>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<br>2. Assist directors and independent directors to follow laws, take office and continue to study.<br>3. Provide the information necessary for directors and independent directors to perform their business.<br>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.<br>5. Announcement and major information on major company resolutions according to law.<br>6. Handle company registrations and changes in company registrations according to law.<br>7. Update and expose various corporate governance information.<br>8. Other matters stipulated in the Company's Articles of Association or contract.<br>**The implementation status in 2022 is as follows:**<br>1. 6 Board meetings, 6 Audit Committee meetings, and 2 Remuneration Committee meetings were convened in 2022, with an average attendance rate of 100%.<br>2. Board members have completed at least 6 credits of advanced courses.<br>3. The Company has not received any reported incidents of stakeholder-ethical violations.<br>4. The Company insured liability insurance for directors and important staff.<br>5. The Company has established deputies for the Accounting Supervisor and accounting staff responsible for compiling the financial statements, and these employees have undertaken 12 hours and 6 hours of advanced studies respectively in accordance with regulations.<br>6. The roadshow was held 4 times.<br>7. The Audit Committee invites accountants, auditors and legal personnel to attend the meeting, and discusses with the Audit Committee on relevant issues.<br>8. The Risk Management Committee regularly conducts risk management reports to the Audit Committee every year.<br>9. The Unit in charge of Intellectual Property regularly conducts risk management reports to the BOD every year. | No material difference |
| Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities? | | V | | In order to effectively establish communication channels with interested parties, in addition to implementing the spokesperson system, the Company has set up an "Investor Service" area and an "Investor Mailbox" (IR@BenQMaterials.com) on the official website, as a window for handling shareholder suggestions or disputes, to properly respond to important corporate social responsibility issues of concern to stakeholders. | No material difference |

| Evaluation Item | | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|---|
| | | Yes | No | Description | |
| Does the Company appoint a professional shareholder service agency to deal with shareholder affairs? | | V | | The Company has appointed the Taishin Securities Co., Ltd. as the Company's stock affairs agency to manage affairs related to shareholders' meetings. | No material difference |
| Information disclosure | Has the Company established a corporate website to disclose information, regarding its financial, business, and corporate governance information? | V | | Investor Relations section has been set up on both Company's Chinese and English websites, which regularly updates financial, business and corporate governance information as reference for investors. | No material difference |
| | Has the Company established any other information disclosure channels (e.g., maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conferences, etc.)? | V | | An English website has been set up, a designated person is responsible for the collection and disclosure of company information, and the spokesperson system is implemented. The chief financial officer is the spokesperson.<br>Road shows are organized regularly or irregularly, briefing materials are uploaded on the Company's website, and investor mailboxes are set up to answer investor questions. | No material difference |
| | Does the Company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline? | V | | The Company announced and reported the first, second, and third-quarter financial statements of 2022 as well as the operating status of each month on MOPS before the prescribed deadline. The 2022 consolidated and individual financial statements were announced and filed on February 23, 2023, and uploaded to the Company’s website simultaneously. | No material difference |
| Other important information to facilitate a better understanding of the Company's governance and operation | 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 organizing club activities, special sales activities, and employee family days.<br>For employee rights, please refer to Page 63 of this annual report. | No material difference |
| | Investor relationship | V | | The Company has set up an investor service mailbox IR@BenQMaterials.com, and has a dedicated person answering the investor's phone to answer the shareholders' questions in detail, and immediately complete the announcements of the Taiwan Stock Exchange, such as financial statements, corporate governance rules and regulations, and operational results. The content of the meeting will be immediately disclosed on the Company's website, so that investors can understand the Company's operating conditions. | No material difference |
| | Supplier relationship | V | | The Company has established Supplier Evaluation Procedures. The quality and technical capabilities of the supplier, service levels, green products, environmental protection, safety and health risks, and social responsibility are reviewed by internal relevant departments. Only those who have passed the evaluation can become partners to the Company. In addition, 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.<br>The Company upholds the Company's culture of integrity and integrity. In the event of illegal<br>matters, please send mail to the integrity mailbox:<br>Integrity@ BenQMaterials.com | No material difference |

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td rowspan="6"></td><td>Rights of stakeholders</td><td>V</td><td></td><td>The Company has set up different and diversified interaction methods with different stakeholders, which are disclosed in the corporate social responsibility report every year. At the beginning of each year, the Company reports to the Board of Directors on the communication with various stakeholders so that the Board of Directors can hear the voices of the stakeholders.</td><td>No material difference</td></tr>
<tr><td>Continuing Education and Training for the Board of Directors</td><td>V</td><td></td><td>The Company has undertaken the following training pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" from TWSE. For details, please refer to the "Continuing Education and Training for Directors and Managers" on page 38 of the annual report.</td><td>No material difference</td></tr>
<tr><td>Implementation of risk management policies and risk evaluation measures</td><td>V</td><td></td><td>The Company has a risk management committee that formulates risk management policies and assesses company risks to reduce business risks. For specific information, please refer to the chapter on risk management on page 78 of the annual report.</td><td>No material difference</td></tr>
<tr><td>Implementation of customer relations policies</td><td>V</td><td></td><td>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 for inquiries about related product information.</td><td>No material difference</td></tr>
<tr><td>Purchase of liability insurance for directors and supervisors</td><td>V</td><td></td><td>The Company insures liability insurance and assesses the insurance limit for directors (including independent directors) and managerial officers, so that it can proceed from the investor's rights as a starting point and execute its business prudently. After the insurance is purchased every year, the insurance situation will be reported in the latest board meeting.</td><td>No material difference</td></tr>
<tr><td>Succession planning and operation of board members and important management</td><td>V</td><td></td><td>Based on future strategic development and transformation planning, combined with the Company's diversified policy planning director succession plan and candidates, the Company regularly holds meetings to discuss and review the succession planning and cultivation of the Company's important management; sets individual development plans based on their individual capabilities and job requirements. Depending on the needs of the organization and individuals, it includes training courses, EMBA in-service training, different-learning studies, job rotation and executive coaching. The purpose is to cultivate the management, leadership, and management capabilities of important management. In particular, the training courses are planned by the Company's training system. In addition to internal training courses, renowned external institutions are also introduced to facilitate the management team in expanding its external perspectives. To foster multi-dimensional strategic views at the management level, the Talent Development Committee will establish management level rotations based on the organization's needs. A mentorship system is also established to facilitate new managers. In addition to organizing and incubating a well-rounded management reserve to assume subsequent leadership through cross-disciplinary methods, the mentorship system also allows managers to learn up close the strategic views required for corporate management. The 2022 training course information is as follows:
<table>
<tr><th>Course category</th><th>Total number of courses</th><th>Course hours (hours)</th><th>Total number of trainees</th></tr>
<tr><td>Technology and industry trends</td><td>13</td><td>52</td><td>52</td></tr>
<tr><td>Management courses</td><td>22</td><td>147.5</td><td>317</td></tr>
<tr><td>Customer and lectures</td><td>4</td><td>10</td><td>38</td></tr>
</table></td><td>No material difference</td></tr>
<tr><td colspan="2">Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and</td><td>V</td><td></td><td>1. The Company complies with relevant laws and regulations to disclose information on MOPS in real time, with full disclosure of information in annual reports and company website, with high transparency and timeliness.<br>2. The Company is in the top 6% to 20% range of the 8th Corporate Governance Evaluation organized by the Taiwan Stock Exchange and the electronic</td><td>No material difference</td></tr>
</table>

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Description | |
| improvement measures and plans for items yet to be improved. | | | category with a market value of more than NT$10 billion has a gradation of 11% to 20%.<br>The improvements of 2022:<br>• Increase the attendance rate of directors at shareholders' meetings and increase the opportunities for shareholders to communicate with decision-making units.<br>• Enhance the information transparency, announce materials information and financial statements in Mandarin and English version.<br>• Annual communication status with stakeholders, intellectual property management plan and risk management operation status are regularly reported to the board of directors.<br>• Set up a separate communication mechanism between internal auditors and certified accountants and the audit committee.<br>• –Continue to deepen corporate governance, make the Company's DNA comply with international standards, and announce the annual financial statements before the end of February; and voluntarily provide financial statements in English quarterly to increase international visibility. | |

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

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

1. Formulate and regularly review the policies, systems, standards and structure of managerial officers and managers performance evaluation and salary and remuneration.
2. Regularly evaluate and determine the remuneration of directors and managerial officers.
3. As of December 31, 2022, there are 3 members of the Remuneration Committee, and their information is as follows:

2022-12-31

| Identity | Qualifications / Name | Professional Qualification and Experience | Independence Criteria (Note 2) | Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director |
|---|---|---|---|---|
| Independent Director (Convener) | Frank Yeh | Please refer to the Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors (page 8) | Qualified | 1 |
| Independent Director | Louis Y. Y. Lu | | Qualified | 0 |
| Independent Director | Gong Wang | | Qualified | 0 |
| Independent Director | Tri-Rung Yew (Note 1) | | Qualified | 0 |

(Note 1) Independent Director, Tri-Rung Yew, resigned on October 19, 2022.

(Note 2) Independence: including but not limited to whether the person, spouse, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the company or its affiliated companies; The number and proportion of the company's shares; whether it is a director, supervisor or employee of a company that has a specific relationship with the company (refer to Article 3, Item 1, Items 5-8 of the Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to Be Followed); The amount of remuneration received by the company or its affiliates for providing business, legal, financial, accounting and other services in the last two years.

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

| Position | Name | Attendance in Person | Attendance by Proxy | Attendance Rate (%) | Note |
|---|---|---|---|---|---|
| Convener | Frank Yeh | 2 | 0 | 100% | 2022/6/16 re-election |
| Committee Member | Chiou-Ming Chen | 1 | 0 | 100% | 2022/6/16 Retired |
| Committee Member | Louis Y. Y. Lu | 2 | 0 | 100% | 2022/6/16 re-election |
| Committee Member | Gong Wang | 1 | 0 | 100% | 2022/6/16 Newly elected |
| Committee Member | Tri-Rung Yew | 1 | 0 | 100% | 2022/6/16 Newly elected; October 19 resigned |

Other matters to be recorded:

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

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

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

| Date | Item | Contents of the proposal | Resolutions and implementation |
|---|---|---|---|
| 2022.02.24 | The 4th Session The 6th | (I) Report market comparison of remuneration result of the General Manager for 2021<br>(II) Approval of the Directors and Employees Remuneration Distribution Plan for 2021 | The proposal was approved unanimously by all the members present, and was submitted to the Board of Directors for resolution. |
| 2022.08.04 | The fifth First time | (I) Election of the convener and chairman of the meeting<br>(II) Review the manager bonus and annual salary approval plan in 2021 | |

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

| Item of promotion | Implementation state | | | Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Description | |
| Has the company established the governance framework and a dedicated (part-time) unit to promote sustainable development? Has the Board of Directors authorized senior management to handle such matter and to report their supervision to the Board of Directors? | V | | 1. The company formulated the "Code of Integrity Management" in 2015, the "Code of Practice for Corporate Social Responsibility" in 2017, and revised it to the "Code of Practice for Sustainable Development" in 2022.<br>2. The company established the trans-department ESG Sustainable Committee (renamed in 2020) in 2017, where, the chairman is acted by the CEO, with five subordinated task preparation groups: Supply Chain Group, Product Lifecycle and Innovation Group, Environmental Policy and Management Group, Social Participation Group and Corporate Governance Group; it covers the company's R&D, Production, Factory Affair Environmental Protection and Security, Supply Chain Management, HR, Finance and Legal Units, etc., so as to promote implementation of the company's sustainable plan from all aspects. | No material difference |

| Item of promotion | Implementation state | | | Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | 3. The Committee convenes progress meeting of various groups' plans once half a year, in which various groups shall explain their short-and-mid-term objectives and implementation result; various groups of the Committee also convene intra-group plan progress review meeting, so as to carry out setting of objectives, collaborative operation of various units and implementation tracing of plans. The Committee makes regular inspection of plan promotion achievements of various groups, and the chairman also convenes topic discussion irregularly, so as to draft mid-and-long-term sustainability objectives and strategy priorities of BenQ Materials.<br>4. In 2021, the Committee formulated mid-and-long-term objectives due to climate change, integrated resources of Product Lifecycle Group and Environmental Policy Group, and laid emphasis on aspects from layout of renewable energies to product development and improvement of production efficiency, etc., hoping to be able to achieve RE100 and carbon neutralization objective in 2050.<br>5. The ESG Sustainability Committee of BenQ Materials will report to the board of directors at least once a year by the executive group (it has been submitted on May 3, 2022), explaining the company's ESG plan implementation results in the previous year and future short- and medium-term goals. The Board of Directors also uses this to supervise whether the team has implemented the sustainable development aspect according to the plan, and gives suggestions on whether there are opportunities for improvement according to the tasks.<br>6. In the third meeting of the Board of Directors in 2022, in order to ensure that the sustainable development goals set by the ESG Sustainability Committee are in line with international sustainable development trends, it is suggested that the committee can evaluate applications for sustainable development related awards and review internal sustainable development implementation from the perspective of professional review program effectiveness. In the meantime, required by corporate governance, the company's promotion achievements of ESG will also be combined with reward mechanism for senior supervisors of the company since 2022, so as to show emphasis of the Board of Directors on the company's ESG implementation degree and achievements. | |
| Does the Company assess ESG risks associated with its operations based on the principle of materiality and establish related risk management policies or strategies? | | | To cope with global major economic, social and environmental risks, the company prepared the 2022 Sustainability Report in 2023 in accordance with GRI Sustainability Reporting Standards (GRI Standards) of The Global Reporting Initiative (GRI) released by the (Global Sustainability Standard Board (GSSB), and the risk assessment boundary was based on the company.<br>ESG Sustainable Committee made an analysis in accordance with major principles of the sustainability report, summarized important stakeholders' attention, and impact of the sustainability topic on BenQ Materials' economic/environmental/social operation. And list 8 important issues for disclosure, including sustainable supply chain, tax management, innovation management, information security, quality management, climate strategy, talent attraction and retention, occupational safety and health, which are the major issues of the 2022 sustainability report. Disclose the following topics: | No material difference |

<table>
<tr><th rowspan="2">Item of promotion</th><th colspan="3">Implementation state</th><th rowspan="2">Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>

| Materiality | Important disclosure topics | Description |
|---|---|---|
| Governance | Tax management | In response to the international trend of tax governance, we uphold the concept of integrity management, implement tax laws and regulations, pursue sustainable development, formulate tax governance principles, and responsible units are responsible for implementing and reporting to the management to ensure the effective operation of the tax management mechanism to protect the company. and investor interests. |
| | Innovation Management | Innovations in a company's products, business processes, marketing, and organization. Ability to respond to external or internal opportunities and use creativity to introduce new ideas, processes or products. |
| | Information Security | In order to protect the company's rights and interests and the goal of sustainable operation, BenQ Materials has established a safe and reliable computerized operating environment to ensure computer data, systems, equipment, and network security and maintain normal operations. |
| | Quality Management | Improve the quality level with a systematic management process. The quality management system follows the requirements of the ISO and the hazardous substance process management of the electronic component quality assessment system of the International Electrotechnical Commission, formulates relevant management procedures and processes, and expands to each operating base to ensure Its products comply with the new quality system and environmental requirements, effectively controlling the quality status. |
| Environment | Climate Strategy | In response to global climate change and net zero carbon emission trends, plan short-, medium-, and long-term goals. In the short term, new technologies and new equipment investment including artificial intelligence (AI) will be used to improve the efficiency of production equipment, including energy saving, water saving, and resource recycling. |
| Society | Sustainable Supply Chain | The establishment of a sustainable supply chain management framework requires all suppliers to comply with sustainable policies or document specifications, including the signing of a corporate social responsibility commitment, a guarantee of non-use of conflict minerals-related regulations and requirements, and the signing of hazardous substance management policies. |

</td><td></td></tr>
</table>

| Item of promotion | | Implementation state: Yes | Implementation state: No | Implementation state: Description | Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|---|
| | | | | Talent Attraction and Retention: Enhance colleagues' recognition and practice of core values, and at the same time plan a salary and welfare system that meets market demand. Job seekers and colleagues can develop their strengths and grow in suitable positions through various human resources actions.<br>Occupational Safety and Health: Set up a "Social Responsibility and Environmental Safety and Health Management Committee" in accordance with the Occupational Safety and Health Management Measures to promote occupational safety and health matters, so as to strengthen the occupational safety and health management system professional capabilities of personnel in various departments. | |
| Environmental issues | Has the Company established proper environmental management systems based on the characteristics of the industries? | V | | 1. BenQ Materials has obtained ISO 14001 environmental management system certification since 2005, and launched an energy-saving improvement project in 2008 to manage and continuously improve environmental performance. Each manufacturing area around the world regularly implements internal and external audits every year to ensure various environmental management standards operation.<br>2. Conduct greenhouse gas inventory and verification every year to improve energy performance and further reduce greenhouse gas emissions, track emission reduction results, and disclose the sustainability report on the company's website.<br>3. The coverage and period of the company's passing of relevant international verification standards are shown in the table below<br>Management System / Verification Scope / Coverage:<br>ISO 14001 / Taoyuan Factory, Longke Factory, Yunlin Factory, Suzhou Factory, Wuhu Factory / 100%<br>ISO 50001 / Taoyuan Factory / 20%<br>ISO 14064-1 / Taoyuan Factory, Longke Factory, Yunlin Factory, Suzhou Factory, Wuhu Factory / 100%<br>Note: All management systems are within the validity period | No material difference |
| | Is the company committed to improving the efficient use of resources and utilize renewable resources to reduce environmental impact? | V | | 1. Every manufacturing site has full-time employees for management of air pollution, wastewater, waste, etc. according to the type of environmental pollutant generation in the production process, who is responsible for environmental management related affairs, and properly handling various environmental pollutants in compliance with national laws and regulations to reduce the impact of production on the environment. Please refer to page 32 for the implementation.<br>2. BenQ Materials is committed to the development of membrane technology that does not contain perfluorinated compounds and does not use solvents to make holes, and provides waterproof and breathable fabrics with both high performance and sustainability. It is responsible for the environment and is friendly to the earth.<br>3. BenQ Materials invites the manufacturers to jointly focus on re-design of the products in the direction of biomass materials and bio-degradable materials that are easy to disassemble, easy to recycle and friendly to environment, so as to reduce carbon footprint together. | No material difference |
| | Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate-related topics? | V | | The company established a climate change management working group, with the chairman and general manager serving as the chairman and vice chairman, following the TCFD (Task Force on Climate-related Financial Disclosures, climate-related financial disclosure) framework management to identify the risks and opportunities of climate change assessment, focusing on five major risks and opportunities: | No material difference |

<table>
<tr><th colspan="2" rowspan="2">Item of promotion</th><th colspan="3">Implementation state</th><th rowspan="2">Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td rowspan="2"></td><td></td><td></td><td></td><td>I. Physical risks, including increased severity and frequency of extreme weather events (typhoons, heavy rainfall, etc.), rising sea levels, changing weather patterns<br>II. Transition risk policies and regulations, including carbon pricing mechanism (carbon fee), mandatory use of renewable energy<br>III. Transformation risk market, raw material cost increase or shortage<br>IV. Transformation risk technology, low-carbon alternative product investment/R&D failure<br>V. Transition risk reputation, increasing doubts of stakeholders or increasing negative feedback.<br><br>For the above-mentioned five focused issues, a total of 19 climate change adaptation action plans have been drawn up after comprehensive consideration of the potential financial impact and the urgency, derivative benefits, economic benefits, and technical feasibility of the risk plan; the climate change management working group will start in 2022, Regular internal management review meetings are held every year, which are also integrated with the existing risk management system, and annual reports are made with the audit committee and the board of directors to review and guide the company's climate change strategic goals, action plans and other related issues. Please refer to the Sustainability Report on the official website.</td><td></td></tr>
<tr><td>Does the Company inspect its greenhouse gas (GHG) emissions, water consumption and the total weight of wastes in the past two years? Does the Company formulate policies on GHG reduction, water reduction, or waste management?</td><td>V</td><td></td><td>● BenQ Materials has joined the “Greenhouse Gas Reduction Program of the Industrial Low-Carbon Technology Integration Application Counseling Program” of the Industrial Bureau since 2009, and examines greenhouse gas emissions according to the World Business Sustainable Development Association (WBCSD) and the GHG Protocol issued by the Resource Research Institute (WRI).<br>● Greenhouse gas reduction, reduction of water use or other waste management policies are detailed in this year's annual report page 32.</td><td>No material difference</td></tr>
<tr><td rowspan="2">Social issues</td><td>Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>Please refer to the annual report page 63.</td><td>No material difference</td></tr>
<tr><td>Does the Company formulate and implement reasonable employee benefit measures (including remuneration, vacation, and other benefits) and appropriately reflect operating performance or results in employee compensation?</td><td>V</td><td></td><td>1. Article 19 of the Company's Articles of Association has stipulated that employee remuneration shall be 5%-20% of the year's profit.<br>2. The Company considers the performance of each business unit and individual, and provides reasonable remuneration to employees after being approved by the responsible supervisor.<br>3. The Company regularly participates in international market salary surveys to adjust salary levels and provide competitive salaries in the market; adjusts annual salary based on the operations of the Company, price index, economic growth rate, and individual performance.<br>4. For staff welfare measures, please refer to the annual report page 65.<br>5. The management system including salary, performance appraisal, promotion and training, etc. shall not be different due to gender, and among all staff in 2022, females accounted for 38%, and female senior supervisors accounted for 31%.</td><td>No material difference</td></tr>
</table>

<table>
<tr><th rowspan="2" colspan="2">Item of promotion</th><th colspan="3">Implementation state</th><th rowspan="2">Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td>Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</td><td>V</td><td></td><td>The Company attaches great importance to the safety management of the working environment of colleagues. While abiding by the regulations/decrees of the competent authority, each factory has passed the ISO 45001 certification (The scope of verification is Taoyuan Factory, Longke Factory, Yunke Factory, Suzhou Factory, Wuhu Factory). In addition, it actively improves the working environment, avoids exposure to harmful substances in the working environment, which causes health hazards, prevents occupational disasters and occupational diseases, and builds a safe work circle for all employees.<br>● The occupational safety and sanitation meeting is held every quarter with the deputy general manager as the chairman.<br>● We conduct on-site inspections for the safety and environmental risks of each plant from time to time, and track improvements in regular industrial safety meetings.<br>● The manufacturing department supervisor conducts on-site safety inspections on the work environment of colleagues every month.<br>● Regular safety training and publicity:<br>In 2022, there was a total of 40,963 attendees of industrial safety education and training, and a total of 35,299.5 man-hours of training.<table><tr><th>Item/Year</th><th>2021</th><th>2022</th></tr><tr><td>Number of participants in industrial safety education and training (persons)</td><td>11,808</td><td>41,077</td></tr><tr><td>Industrial safety education and training man-hours (hours)</td><td>20,356</td><td>37,954</td></tr></table>● Strengthen the safety awareness of colleagues and establish an incentive bonus system for safety proposals.<br>● In 2022, there will be a total of 7 cases of disability injuries and 7 people, accounting for 0.31% of the total number of employees at the end of 2022, and the goal of zero occupational accidents has not been achieved. The main occupational hazard factor was insufficient active protection of the machines, therefore, the company carried out parallel examination of the machines in the whole factory, improved unsafe machines, and set fool-proof mechanism, to guarantee operation safety of the employees.<br>● Each factory regularly carries out two operating environment monitoring every year, and conducts planning, sampling, testing and analysis to ensure that workers are free from harmful substances in the operating environment and workers work in a healthy and comfortable working environment. At the entrances and exits of machine equipment maintenance in the process area, an inductive voice messaging device is established to remind workers of warning messages and reduce the incidence rate of occupational disasters.</td><td>No material difference</td></tr>
<tr><td></td><td>Has the Company established effective career development training plans?</td><td>V</td><td></td><td>1. Create an education training system with perfect system and high quality, and set talent development blueprint, and divide education training courses into 4 colleges according to professional functional requirements: College of Science, College of Quality, College of Engineering and College of Business Management.<br>2. Provide complete training to new employees, including orientation training for the company's employees working on the first day, relevant CSR courses (workplace unlawful infringement, integrity advocation, legal concept, quality concept and seven QC means, etc.), and two-day Win Camp held together with group enterprises, etc., so as to help the employees get familiar with the corporate culture rapidly, and cultivate common knowledge and skills ought to be equipped with for work.<br>3. Purchase online courses and authorize them on the internal training system (LMS), which is convenient for colleagues to learn flexibly, including soft skills such as Excel skills, work efficiency, project management and presentation, sales, and proposal capabilities, as well as AI, data science, and creative thinking. Rich curriculum.<br>4. By regular discussion of important organization and talent topics via the Talent Development Committee, establish an all-round Business Management Program (BMP), and in combination with physical course, individual case discussion meeting, experience sharing lecture, mentor, job rotation and task assignment and other means,</td><td>No material difference</td></tr>
</table>

| Item of promotion | | Implementation state | | | Deviations from the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|---|
| | | Yes | No | Description | |
| | | V | | to cultivate future supervisors of public institutions. In addition, it also carried out Successor Inventory Plan, and trained all supervisors to make career interview with the employees, so as to help all employees have a specific orientation of career development and learning focus, and enable excellent talents to be activated within the organization. | |
| | Has the Company complied with relevant regulations and international standards regarding customers' health and safety, customer privacy, marketing and labeling for products and services, and established relevant policy and appeal procedures to protect the rights of consumers or customers? | V | | The Company sets up legal and regulatory departments, and builds a contract review system, requiring external documents of all departments to be reviewed by legal personnel to ensure that they are labeled and marketed in compliance with relevant domestic laws and international standards, and consumer rights and interests are protected.<br>The Company has set up consumer service hotline 0809-092-599 and e-mail Customer@BenQMaterials.com to offer consumer product consultation and multiple customer service complaints channels. | No material difference |
| | Does the Company have supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety, and health, or labor rights? How is the implementation? | V | | 1. The Company has established Supplier Evaluation Procedures, and relevant departments are responsible for reviewing items including the suppliers' quality and technical capacity, service standards, environmental protection, safety, and health risks (such as environmental management system ISO 14001, occupational safety and health management system (OHSAS 18001), Code of Ethical Conduct and social responsibility. Only those who have passed the evaluation can become partners to the Company.<br>2. When selecting suppliers, the Company gives priority to suppliers who provide environmental protection products and machinery, appliances, equipment, parts, and materials with the lowest impact on energy performance, and requires suppliers accordingly. Once the supplier or contractor violates Corporate Social Responsibility policy, it would negatively impact the company's business relationship with AUO.<br>3. Establish RBA Audit Group and formulate key supplier appraisal criteria, where, in 2022, completion rate of RBA audit of the suppliers was 100%, with percent of pass being 100%. | No material difference |
| Does the Company prepare and publish reports such as its sustainability report to disclose non-financial information of the Company with reference to internationally recognized standards or guidelines for the preparation of reports? Are the reports certified or assured by a third-party accreditation body? | | V | | 1. The company prepared Enterprise Sustainability Report in 2020 in accordance with GRI Sustainability Reporting Standards (GRI Standards) of The Global Reporting Initiative (GRI) released by the (Global Sustainability Standard Board (GSSB), and in the meantime, it made disclosure in accordance with hardware industry of information and communication field of Sustainability Accounting Standards Board (SASB), as well as reference to the spirit of international integrated reporting framework formulated by International Integrated Reporting Council (IIRC).<br>2. The Company's Enterprise Sustainability Report was assured by SGS Taiwan Ltd. in accordance with the compliance standard of “core options” of GRI standards and specifications for sustainability report as well as moderate assurance grade of Type I in AA1000 Assurance Standards v3, confirming that this report conformed to requirements of GRI sustainability report standards. | No material difference |
| If the Company has established the sustainable development policies based on the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.<br>The Company has formulated the "Code of Practice for Sustainable Development" in accordance with the Corporate Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies". All employees of the Company shall promote and perform corporate social responsibility, relevant regulations for environmental protection, social contribution, social services, public welfare, customer rights, human rights, safety, and health. The overall operation is in line with the spirit of corporate social responsibility, with no major differences. Company website:www.benqmaterials.com.tw | | | | | |

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

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

◆ **Greenhouse Gas Management**

1. Each manufacturing base has completed the greenhouse gas inventory according to ISO 14064:2018, and the British Standards Institution (BSI) and Taiwan Inspection Technology Co., Ltd. (SGS) and DNV GL Business Assurance Co., Ltd.(DNV) have been commissioned to complete the ISO 14064-1 greenhouse gas verification. In order to mitigate the trend of global warming, the company continued to reduce emission of greenhouse gas. At the same time, the Company actively responds to our clients' participation of "Supply Chain Project" survey questionnaires. In the following, based on 2020, it will realize decrease in emission of greenhouse air (mt CO2e) by 30% in 2030.
2. Greenhouse gas emissions (Category I + Category II) in 2022 will be 52,923.32 tons of $CO_2e$, a decrease of 11.17% compared to 2021 and a decrease of 8.02% compared to 2020. Analysis of greenhouse gas emission intensity (Category I + Category II) has decreased year by year since 2017, and the unit intensity in 2022 will be 3.41 (mt $CO_2e$/ NT$ 1 million revenue), a decrease of 5.79% from 2021 and a decrease of 10.92% from 2020 , mainly due to the use of renewable energy and investment in reduction projects. Greenhouse gas emissions (Category III) in 2022 will be 9,645.07 tons of $CO_2e$, an increase of 2.59% compared to 2021 and an increase of 1.24% compared to 2020.

| Year | Category I | Category II | Category III | Emission density (mt $CO_2e$/NT$ 1 million revenue) |
|---|---|---|---|---|
| 2021 | 19,048.38 | 40,529.57 | 9,401.16 | 4.19 |
| 2022 | 19,741.11 | 33,182.21 | 9,645.07 | 4.03 |

* Disclosure data: 2021 and 2022 included all factories

3. Promote various water saving measures in factories
4. In order to continuously reduce the greenhouse gas emissions of products, evaluate the product life cycle, and provide internal measures to formulate appropriate carbon reduction measures through active carbon footprint inspections, and provide customers with understanding and calculation of their own product carbon footprints to enhance the added value to customers.

◆ **Energy Management**

1. Natural gas and non-renewable electricity purchased from power companies are the main sources of energy. In addition, Taoyuan Plant, Yunke Plant and Suzhou Plant use gasoline and diesel for vehicles. The total energy consumption in 2022 will be 6,819,700 cubic meters of natural gas , 73,555,100 kilowatt-hours of electricity, 12,340 liters of gasoline, and 19,940 liters of diesel oil, converted into heat units, totaled 522,826.11 GJ (109 joules), a decrease of 10,339.90 GJ (a decrease of 1.94%) compared to 2021. The unit energy consumption in 2021-2022 is 32.35 and 33.64GJ/million yuan respectively. Reduce energy consumption by 10% in 2025, with 2018 as the base period. In 2022, compared with 2018, it will decrease by 0.4 (a decrease of 1.18%).

| Year | Natural gas (cubic meters) | electricity (kilowatt-hours) | gasoline (liters) | diesel (liters) | unit (GJ) | unit energy consumption (GJ/ NTD millions of revenue) |
|---|---|---|---|---|---|---|
| 2021 | 7,015,300 | 72,968,200 | 0 | 34,700 | 533,166.01 | 32.35 |
| 2022 | 6,819,700 | 73,555,100 | 12,340 | 19,940 | 522,826.11 | 33.64 |

2. Taoyuan Factory imported ISO 50001 in 2021, and passed BSI investigation in the same year.
3. Invest in and set up solar power stations in Yunke Factory, Wuhu Factory, and Suzhou Factory. By 2022, a total of 2.53 million kilowatt-hours of electricity will be generated by self-generation and self-use in the factory.

◆ **Waste recycling management**

1. Reduce the total amount of waste and the recycling of waste. Through process technology improvement, raw material reduction and subsequent recycling and reuse, the waste recovery rate has reached 90% since 2014. In terms of waste treatment, we select qualified waste removal and treatment manufacturers and the most suitable treatment methods, and follow vehicles to track and control the flow of waste from time to time. In 2022 and 2021, output of hazardous wastes was 399.5t and 399.6t, respectively, while output of non-hazardous wastes was 2837.6t and 3,177.5t, respectively; it is estimated to import self-factory processing equipment of wastes, distillation EAC import and recycling and other schemes, and based on 2018, it is aimed to reduce output of unit waste by 10% in 2025.

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

| Year | Hazardous waste (t) | Non-hazardous waste (t) | Waste output (t) | Density per unit of waste (Kg/NTD millions of revenue) |
|---|---|---|---|---|
| 2021 | 399.6 | 3,177.5 | 3,577.1 | 217.0 |
| 2022 | 399.5 | 2,837.6 | 3,237.1 | 208.30 |

◆ **Water Resources Management**

Starting from the sustainable use of water resources, it has implemented water-saving plans for the three major aspects (accounting for 80%) of manufacturing, cooling tower and boiler water. In terms of water saving in manufacturing, the improvement in washing, on-line recycling and reuse, and concentration adjustment and reduction is adopted to reduce the use of pure water; the cooling tower uses recycled condensate water and RO water, establishes a balance pipe to reduce overflow loss, and installs frequency conversion device to reduce transport and evaporation loss to save water; increases the recycling of the boiler condensate water and increases the circulation, so that the boiler reduces the water supply. The total water consumption in 2022 will be 432.74 million liters (Megaliters, ML), which is 18.96 ML less than that in 2021 (a decrease of 4.20%). In 2022, the water discharge (wastewater discharge) will total 365.42 ML, which will be discharged into the sewage treatment plants in various industrial zones, a decrease of 9.40 ML compared to 2021. The water consumption is 67.32 ML, which is mainly the evaporation of the cooling water tower. Based on 2018, it is aimed to reduce consumption of water resources by 10% in 2025.

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

**2022:**

- Won the Silver Award of the 4th National Enterprise Environmental Protection Award.
- Longke Factory was awarded the Excellent Occupational Safety Unit of Hsinchu Management Bureau.
- Yunke Factory was awarded the Ministry of Labor Occupational Safety and Health Excellent Unit, Yunlin Industrial Zone Occupational Safety and Health Excellent Unit, Yunlin County Occupational Safety and Health Excellent Personnel, and Yunlin County Health Promotion Excellent Workplace.
- Selected as Taiwan’s Excellence in Corporate Social Responsibility by CommonWealth Magazine - Top 50 Large Enterprises.
- The Taoyuan factory was awarded the Taoyuan City Maternal Health Protection Alliance-Model Institution.

**2021:**

- Taoyuan Factory won “Taiwan Sustainable Development Goal Action Award” of Taiwan Sustainable Energy Research Foundation for “Water Resource Saving and Recycling, and Creating Sustainable Circular Economic Benefit”.
- Longke Factory was awarded the Excellent Occupational Safety Unit of Hsinchu Management Bureau.
- Yunke Plant won the Yunlin Industrial District Safety and Health Excellent Unit.

**Social Responsibility:**

The Company believes that giving back to society is not limited to monetary donations but shall also encompass dedicating efforts, donating materials, and offering services to the public. In order to satisfy the employees' desire to participate in social welfare, the Company is committed to promoting volunteer services, so that employees can participate in volunteer activities for self-realization, and at the

same time work for a better Taiwan society by supporting Taiwan’s agricultural products, clean beaches and streams, tree planting activities and ecology rehabilitation. We are committed to practicing "eco-sustainable development". The main contents of various social activities are summarized as follows:

1. **Support Taiwan's agricultural products-agricultural product sales**: The company regularly holds agricultural product sales. In addition to cooperating with local farmers with local organic fruits and vegetables from the Maliguang tribe in Jianshi Township, Hsinchu County, it will also track the latest market information. Due to natural disasters or other force majeure factors The unsalable agricultural products are sold to company employees, and the price difference in the middle is actually given back to farmers, supporting local agriculture and assisting small farmers. The purchase amount in 2022 is NT$670,260.
2. **Give back to the society-Child Support Program**: the Company's employees form a caring society, Reindeer Society. It provides transparent and convenient channels, brings together kindness and implementing actions, and assists the groups in need. Members of the Reindeer Society participate in the Support Program of the Landi Children’s House in Taoyuan. Invoices, small changes, specific materials are donated by the colleagues, which meet the daily life needs of the children. The cumulative donation amount in 2022 is NT$554,000.

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

3. **Clean Home - Beach Cleaning Activities:** In 2022, the company established the environmental protection volunteer club "Let's Play together", calling on colleagues to take practical actions to respond to environmental protection and protect the earth, and to cultivate the spirit and concept of environmental protection for the next generation. In 2022, a total of 20 volunteers were called to carry out street cleaning activities in communities near BenQ Materials, and 40 volunteers were called on to jointly organize mountain cleaning activities with mountaineering clubs.
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 organizes tree planting activities in recent years to lead employees to get close to nature, plant saplings and clean forests. This year, suppliers are invited to respond together. Plant a tree and make a commitment to implement environmental protection and energy conservation, care for ecology, reduce carbon emissions and love the earth. As of 2022, 9,371 trees have been planted.
5. **Charity donations**: the Company has donated NT$ 3 million to the BenQ Foundation in 2022 to realize the corporate vision of "Wonderful Information Life."
6. **Establishment of Miacare Vision Hope Fund**: We conduct long-term cooperation with Jiafu Foundation and Kobayashi Glasses every month to provide free prescription glasses for disadvantaged children to solve and correct the vision problems of vulnerable children in a timely manner. In 2022, we will expand our cooperation partners, adding 5 resettlement agencies in Taoyuan and Yunlin, and cooperate with the cricket team of Yunlin Tuku Industry and Commerce to solve the needs of students to wear contact lenses during practice or competition. As the year of 2022, 1,919 children from low- and middle-income families have been assisted.
7. **Develop science education**: Sainz Science Camp, which is composed of internal volunteers, went to Taoyuan or Yunlin to hold a one-day science experience camp or a half-day science course. This year, five science camps were held, calling for 19 volunteers , served 101 middle and high school children, and the cumulative service number was 621.
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 was established in 2015, with the ambition of improving the overall quality and competitiveness of students by rewarding outstanding students.

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

| **Evaluation items** | | **Implementation Status** | | | **Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof** |
|---|---|---|---|---|---|
| | | **Yes** | **No** | **Description** | |
| Establishment of integrity management policies and plans | Does the Company have policies and practices for integrity management passed by the BOD and clearly state them in regulations and publicly available documents? Do the BOD and senior management make commitments to actively implement those business policies? | V | | The "Code of Ethical Management" disclosed on the Company's website is approved by the Board of Directors. In addition, the Company has also formulated a manual regarding ethical corporate management. Moreover, Board members and all employees must sign the "Ethic Declaration." In addition, every year, the effectiveness and outcomes of the Code of Ethical Management are reported regularly to the Board of Directors, and publicly disclosed in the annual report and Sustainability Report. | No material difference |
| | Does the Company establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business | V | | The Company has developed an assessment mechanism for unethical risks, and set out the following precautionary measures for the following unethical conduct in the corporate ethics manual:<br>I. Offering and acceptance of bribes. | No material difference |

| | | | | | |
|---|---|---|---|---|---|
| | activities with higher risks of unethical conduct in the business scope? Does the Company formulate a plan to prevent unethical conduct, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the Integrity Management Best-Practice Principles for TWSE/GTSM Listed Companies? | | | II. Provision of illegal political contribution.<br>III. Improper charitable donations or sponsorship.<br>IV. Offering or acceptance of unreasonable presents, hospitality, or other improper benefits.<br>V. Infringement of trade secrets, trademark rights, patent rights, copyrights, and other intellectual property rights.<br>VI. Engaging in unfair competitive practices.<br>VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.<br>The Company regularly analyzes and evaluates business activities with a high unethical risk. We also arrange legal compliance courses every year for employees to comply with the necessary norms when dealing with related businesses at work.<br>Those who violate the corporate integrity policy shall be punished according to the severity of the circumstances, and information such as the title and name of the violator, date and details of the violation, and the actions taken in response shall be immediately disclosed on the Company's internal website.<br>The Company has established work rules for employees. Breach of integrity shall be reviewed by the personnel evaluation committee composed of high-level executives across the unit. Any material breach of the principle of integrity will be reported to the Audit Committee or the board of directors in accordance with relevant laws and operating procedures. Based on the risk assessment, the audit office conducts sampling assessments of related processes and operations to avoid the occurrence of violations of integrity. | |
| | Does the Company specify the operating procedures, behavior guidelines, disciplinary penalties, and grievance system in the plan to prevent dishonesty, implement it, and regularly review and revise the pre-disclosure plan? | V | | 1. Employee work rules are the highest code of conduct for all employees of the Company to conduct business activities. When new employees join, the Company implements the education and training "Corporate Culture: Code of Integrity Management" to remind employees to abide by it, and publicize irregularly to strengthen colleagues' sense of integrity. All employees of the Company shall strictly abide by the work rules. In the event of corruption and fraud of the employee, the employee shall be subject to the punishment of expulsion according to the Company's "Reward and Punishment Measures." For example, those who engage in malpractice, embezzlement, give or receive any bribes or commissions; those who engage in business abroad, which affect the Company's interests and business conflicts, with serious circumstances; those who imitate the signatures of superior supervisors or misappropriate printed letters; are all violations that should be dismissed and are subject to regular review of the corrective action plan.<br>2. Internal complaint channels of this company include: Immediate Supervisor, HR Supervisor, Auditor and “Internal Communication Mailbox”, “General Manager’s Mailbox”, “HR Employee Relationship Contact Window” and special line for sexual harassment; the external complaint channel is Supervisor of the Audit Office - Integrity@BenQMaterials.com | No material difference |
| Fulfillment of integrity management | Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the business partners? | V | | The Company has established Supplier Evaluation Procedures. The quality and technical capabilities of the supplier, service levels, green products, environmental protection, safety and health risks, and social responsibility are reviewed by internal relevant departments. Only those who have passed the evaluation can become partners to the Company. In addition, to strengthen the efficiency of communications with suppliers, the Company sets up a reporting system for whistleblowing of professional ethical violations (Integrity@BenQMaterials.com) as a channel for communication and complaints with the Company and has also established multiple systems to enhance the efficiency of communication and information transparency. The Company clearly specified the cooperation principle of honesty and integrity in the procurement contract, and signs the letter of integrity. In case of any breach, the Company may terminate the contract or permanently discontinue cooperation with the Supplier. | No material difference |
| | Has the Company established an exclusively (or concurrently) dedicated unit under the BOD to implement integrity management, and report to the BOD on a regular basis (at least once per year) on ethnic operation policies as well as precautionary measures against unethical conduct and their implementation information? | V | | The promotion of the Company's integrity management, from the formulation of rules,<br>education and advocacy, and complaint mechanisms to the inspection of integrity risks, are responsible for the following units, and the implementation status is reported to the board of directors at least once a year:<br>1. The formulation of regulations and the planning of education promotion are the responsibility of the Human Resources Department. At present, the “Employee Integrity Regulation” emphasizing the culture of integrity management and the “disciplinary measures” standards for disciplinary incidents have been established.<br>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 | No material difference |

<table>
<tr><td></td><td></td><td></td><td></td><td>processes, implement the division of power and responsibility and reduce fraud through the system.<br>3. Any breach of integrity shall be reviewed by a major disciplinary committee composed of high-level inter-departmental executives. In the event of a major breach of integrity, the Company will report to the board of directors in accordance with relevant regulations and operating procedures to report on the implementation.</td><td></td></tr>
<tr><td></td><td>Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policies properly?</td><td>V</td><td></td><td>While pursuing enterprise growth, the Company adheres to the attitude of integrity management, provides customers with quality products and services, and maintains a frank and transparent relationship with its suppliers. To prevent conflicts of interest, the Company has established relevant policies and appropriate presentation channels for stakeholders to use. At present, the Company has internal complaint mailboxes for the Human Resources Department, and externally established investor mailboxes, stakeholder mailboxes, and dedicated telephone lines as channels of complaints.</td><td>No material difference</td></tr>
<tr><td></td><td>To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems and assigned an internal audit unit to develop relevant auditing plans according to the assessment results of unethical conduct risks?<br>Does the Company inspect the implementation of such auditing plans or assign CPAs to implement the auditing?</td><td>V</td><td></td><td>1. The Company constantly revises the internal control system, and checks and evaluates the effectiveness of the implementation of the internal control system in accordance with the requirements of laws and regulations. The internal audit unit assesses risks, draws up an annual audit plan in accordance with the internal control system, and implements relevant audits according to the plan. Any breach of the Code of Integrity Management of the Company will be included in the audit results and reported to the Audit Committee and the board of directors on a regular basis so that the management understands the implementation of the Company's internal control to achieve the purpose of management.<br>2. The Company's accounting system is established in accordance with legal requirements. CPAs perform examination or verification work on the Company's financial statements quarterly, and issue reports, and regularly report the verification or verification results to the Audit Committee and the board of directors.</td><td>No material difference</td></tr>
<tr><td></td><td>Does the Company regularly hold both internal and external educational training on integrity management?</td><td>V</td><td></td><td>The Company takes "integrity" as its core value of enterprise spirit. The Company regularly holds both internal<br>and external educational training on integrity management, and also arranges newcomer training camps for new employees, and use corporate culture<br>courses to foster employees' recognition of the concept of integrity and strengthen employee self-discipline.<br>The Company's implementation of integrity management in 2022 includes newcomers' integrity courses, company-wide integrity code online courses, business secret laws, and regulations, etc.<br><table>
<tr><th>Course Name</th><th>Hours</th><th>Description</th><th>2021 Attendees</th><th>2022 Attendees</th></tr>
<tr><td>Newcomer Integrity Course</td><td>0.5 hour</td><td>Required courses for all new colleagues</td><td>131</td><td>478</td></tr>
<tr><td>Integrity Code Online Course</td><td>0.25 hours</td><td>All employees of the Company need to complete online courses</td><td>1,756</td><td>1,695</td></tr>
<tr><td>Insider Trading Prevention Course</td><td>2 hours</td><td>The legal unit regularly holds lectures for supervisors or colleagues</td><td>59</td><td>101</td></tr>
<tr><td>Propaganda of Trade Secrets Act</td><td>2 hours</td><td>Announcement through the Company's electronic newsletter every year, regular lectures for supervisors or colleagues</td><td>Internal announcement</td><td>82</td></tr>
</table></td><td>No material difference</td></tr>
<tr><td>Status of the whistleblowing system</td><td>Does the Company establish both a whistleblowing/reward system and convenient whistleblowing channels? Are appropriate personnel assigned to the accused party?</td><td>V</td><td></td><td>The Company's integrity-related regulations specify that illegal incidents must be notified immediately. Any person concerned with any business of the Company may lodge a complaint through the following channels if the person finds any breach of integrity during the course of business:<br>Internal channels: direct supervisor, human resources supervisor, auditors and general manager mailbox.<br>External channels: Ethics violation complaint mailbox (Integrity@BenQMaterials.com)。<br>After whistleblowing, the investigation procedure will be initiated. The responsible personnel, including members of the audit unit, will set up a committee to conduct the investigation. Based on the seriousness of the circumstances and the level of involvement, assess whether the case will be further reviewed by the personnel review committee composed of inter-departmental supervisors. Once the case is verified to</td><td>No material difference</td></tr>
</table>

| | | | | | |
|---|---|---|---|---|---|
| | | | | cause major damage to the Company, the committee will prepare a report and notify the Audit Committee in writing. | |
| | Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms? | V | | Regarding the handling of whistleblowing, the Company regulates the standard operating procedures and related confidentiality mechanisms for complaints based on employee work rules, employee complaint management measures and sexual harassment prevention and treatment measures; the person responsible for handling the case is responsible for the identity of the whistleblower and the content of the report. Keep the files encrypted to protect the reporter. | No material difference |
| | Does the Company take measures to protect the whistleblowers from improper disposal due to the whistleblowing? | V | | The Company's integrity-related regulations clearly stipulate that the Company will strictly keep the investigation content and results confidential and ensure that the rights and interests of the relevant personnel are not damaged. | No material difference |
| Strengthening information disclosure | Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS? | V | | The Company discloses the relevant contents of integrity management policies and implementation of integrity management on the official website and the annual report for the stakeholders. | No material difference |

**If the Company has established the integrity management policies based on the Integrity Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.**
The company formulated the "Code of Integrity Management" in 2015 based on the "Integrity Management Best-Practice Principles for TWSE/TPEx Listed Companies". The overall operation situation is not significantly different from the "Integrity Management Best-Practice Principles for TWSE/TPEx Listed Companies", which is disclosed on the company's website.

**Any other important information to facilitate a better understanding of the Company's integrity management practices:**

1. The HR, legal affairs, and risk control department regularly evaluate whether the design of the operation process can properly prevent risks such as operation and corruption, review the effectiveness of the internal control mechanism, collect the recommendations of the senior executives of each unit for various potential risks, and formulate the audit plan. In order to carry out relevant checks, the results of the checks are regularly reported to the Audit Committee, so that the management can understand the current status of corporate governance and achieve the purpose of management.
2. Keep employees informed of the integrity culture within the Company through regular broadcasts, and electronic bulletin boards, etc. Moreover, the Corporate Integrity Handbook is announced to be the Code of Conduct for all employees. To ensure that all employees can implement Integrity in their work, the Code offers a guide to behavioral conduct, case studies, and examples for the Company's Corporate Integrity Policy, standards on working with business partners, standards on working with government agencies, Intellectual Property rights, conflict of interest, information system security, insider trading, and anti-trust.
3. For other information about the company's integrity management, please refer to the content of the company's sustainable development reports over the years.

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

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

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

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

| Position | Name | Date | Hours | Course Name | Training Institution |
|---|---|---|---|---|---|
| Chairman | Zhien-Chi (Z.C) Chen | 2022/04/22 | 3 | Taixin 30 Sustainable Net Zero Summit Forum | Taiwan Sustainable Energy Research Foundation |
| | | 2022/05/20 | 3 | 2022 Prevention of insider trading publicity meeting | Securities and Future Institute |
| | | 2022/06/30 | 3 | ESG Reporting Trends and Their Disclosure Business Implications | Corporate Governance Association |
| Director | Kuen-Yao (K.Y.) Lee | 2022/06/30 | 3 | ESG Reporting Trends and Their Disclosure Business Implications | Corporate Governance Association |
| | | 2022/12/06 | 3 | Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies | Corporate Governance Association |
| Director | Eric Yu | 2022/03/18 | 3 | Change the world with investment - the practice of impact investment and SDGs | Corporate Governance Association |
| Director | Peter Chen | 2022/06/30 | 3 | ESG Reporting Trends and Their Disclosure Business Implications | Corporate Governance Association |
| | | 2022/12/06 | 3 | Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies | Corporate Governance Association |
| Director | Conway Lee | 2022/06/30 | 3 | ESG Reporting Trends and Their Disclosure Business Implications | Corporate Governance Association |
| | | 2022/12/06 | 3 | Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies | Corporate Governance Association |
| Independent Director | Frank Yeh | 2022/05/10 | 3 | Green Transformation—Sustainable Supply Chain Management and Green Operation | Taiwan Institute of Directors |
| | | 2022/08/09 | 3 | U.S.-China trade and geopolitical conflict: The way enterprises respond | Taiwan Institute of Directors |
| Independent Director | Chiou-Ming Chen | 2022/04/07 | 3 | Case analysis of false financial reports and how to see key information in financial reports | Accounting Research and Development Foundation |
| Independent Director | Louis Y. Y. Lu | 2022/04/22 | 3 | Taixin 30 Sustainable Net Zero Summit Forum | Taiwan Sustainable Energy Research Foundation |
| | | 2022/06/14 | 3 | How the Audit Committee implements financial report review | Corporate Governance Association |
| | | 2022/06/30 | 3 | ESG Reporting Trends and Their Disclosure Business Implications | Corporate Governance Association |
| Independent Director | Gong Wang | 2022/09/06 | 3 | The Real Value Created by Circular and Low-Carbon Innovation - Understanding Circular Economy and Governance | Corporate Governance Association |
| | | 2022/09/30 | 3 | International Order Variables and Corporate Governance Responses | Corporate Governance Association |
| | | 2022/10/25 | 3 | Interpretation of Important Judgments on Corporate Governance: Focusing on Directors' Responsibilities | Corporate Governance Association |
| | | 2022/11/15 | 3 | Analysis of Competition for Management Rights and Prevention Strategies | Corporate Governance Association |
| General manager | Ray Liu | 2022/07/12 | 3 | Audit Committee Advanced Practice Sharing - M&A Review and Directors' Responsibilities | Corporate Governance Association |
| | | 2022/08/19 | 3 | Case analysis of the dispute over the right to manage the company | Corporate Governance Association |
| | | 2022/08/30 | 3 | On the Evaluation and Execution of Investment Mergers and Acquisitions from a Legal Viewpoint | Corporate Governance Association |
| | | 2022/09/30 | 3 | International Order Variables and Corporate Governance Responses | Corporate Governance Association |
| Vice President | Oliver Liu | 2022/04/20 | 3 | Talking about the Legal Responsibilities of Enterprise Directors from the Perspective of Intellectual Property Rights Management | Formosan Brothers Attorneys-at-law |
| | | 2022/05/05 | 3 | Corporate Governance and Securities Regulation | Corporate Governance Association |
| Vice President | Charles Liu | 2022/06/30 | 3 | ESG Reporting Trends and Their Disclosure Business Implications | Corporate Governance Association |
| | | 2022/09/06 | 3 | The Real Value Created by Circular and Low-Carbon Innovation - Understanding Circular Economy and Governance | Corporate Governance Association |
| August 15, 2019 Chief | Sheng-hsiang Wang | 2022/04/22 | 3 | Taixin 30 Sustainable Net Zero Summit Forum | Taiwan Sustainable Energy Research Foundation |
| | | 2022/05/12 | 2 | International Double Summit Online Forum | Taiwan Securities Exchange |

| Position | Name | Date | Hours | Course Name | Training Institution |
|---|---|---|---|---|---|
| Financial Officer Chief Corporate Governance Officer | | 2022/05/20 | 3 | 2022 Prevention of insider trading publicity meeting | Taiwan Securities Exchange |
| | | 2022/06/30 | 3 | ESG Reporting Trends and Their Disclosure Business Implications | Corporate Governance Association |
| | | 2022/09/06 | 3 | The Real Value Created by Circular and Low-Carbon Innovation - Understanding Circular Economy and Governance | Corporate Governance Association |
| | | 2022/10/24~25 | 12 | Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange | Accounting Research and Development Foundation |
| Chief internal auditor | Hung, Pi-Lien | 2022/10/19 | 6 | Practical operation of internal audit and internal control personal data law | Internal Audit Association of the Republic of China |
| | | 2022/11/24 | 6 | Analysis of laws and regulations of the board of directors and functional committees (audit, remuneration) and key points of audit | Internal Audit Association of the Republic of China |

## (IX) Implementation of Internal Control System

### 1. Statement of Internal Control System:

**BenQ Material Corporation**
**Statement of Internal Control System**

Date: February 23, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 as follows:

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

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

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

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

V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2022, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.

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

VII. This statement has been approved on February 23, 2023, by the Board of Directors, and out of the 8 Board members in attendance, none has objected to this statement and all consented to the content expressed herein

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

Signature of General Manager: Ray Liu

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

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

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

| Date | Item | Major Resolutions |
|---|---|---|
| 2022.01.06 | The 1st Board of Directors meeting in 2022 | None |
| 2022.02.24 | The 2nd Board of Directors meeting in 2022 | I. Approved of the "Statement of Internal Control System" and Self-Evaluation Implementation Result Report for 2021<br>II. Approved of 2021 Financial Statements, Business Report and the 2022 Business Plan<br>III. Approved of not continuing to handle the private placement of securities approved by the shareholders' regular meeting in 2021<br>IV. Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for |

| Date | Item | Major Resolutions |
|---|---|---|
| | | cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement<br>V. Approval of the donation to the BenQ Foundation<br>VI. Approved of the proposal on matters concerning the company's 2022 regular shareholders' meeting |
| 2022.05.03 | The 3rd Board Meeting for 2022 | I. Approval of real property right-of-use assets<br>II. Ratification of 2021 Earnings Distribution<br>III. Ratification of 2020 appropriations of earnings in cash dividends<br>IV. Ratification of 2022 Q1 financial statements |
| 2022.06.16 | 2022 Shareholder Meeting | I. Full Re-election of Directors (including Independent Directors)<br>The list of directors on the spot: Qisda Corporation (shareholder) Company Representative: Chen Jian-zhi, Qisda Corporation (shareholder) Company Representative: Chen Chi-Hong, Qisda Corporation (shareholder) Company Representative:Liu Jia-rui, BenQ Corporation Company Representative:Li Wen-de.<br>The list of independent directors on the spot: Frank Yeh, Lu Yu-yang, Gong Wang, Tri-Rung Yew(2022.10.19 resign).<br>Implementation status: It was approved for registration by the Ministry of Economic Affairs on July 6, 2022.<br>II. Ratification of the Company's 2021 Business Report and Financial Statements<br>Implementation: Approved in the shareholders' voting.<br>III. Recognition of 2021 Year Earnings Distribution Plan<br>Implementation status: Approved by shareholders' voting, the ex-dividend base date is July 23, 2022, and paid on Jun 16, 2022 in accordance with the resolution of the shareholders' meeting. The cash dividend payment amount is NT$ 1.5 per share, the total amount of the cash dividend is NT$ 481,011,771.<br>IV. Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement<br>Implementation: Approved in the shareholders' voting.<br>V. Approved of amendment to the "Articles of Association"<br>Implementation: Approved in the shareholders' voting.<br>VI. Approved of amendments to the cases of "Acquisition or Disposal of Assets Disposal Procedures" and "Engagement in Derivative Commodity Transaction Disposal Procedures"<br>Implementation: Approved in the shareholders' voting.<br>VII. Approved of amendments to the cases of "Operating Procedures for Fund Lending to Others" and "Operating Procedures for Endorsement Guarantees"<br>Implementation: Approved in the shareholders' voting.<br>VIII. Approval of the proposal for the waiver of non-competition clauses for current Directors and their representatives.<br>Implementation: Approved in the shareholders' voting. |
| 2022.06.16 | The 4th Board of Directors meeting in 2021 | I. Election of the chairman of the company<br>II. Appointment of members of the Remuneration Committee |

| Date | Item | Major Resolutions |
|---|---|---|
| 2022.08.04 | The 5th Board Meeting for 2022 | I. Approval of 2022 Q2 Financial Statements<br>II. Approved of participate in the cash capital increase case of the merged subsidiary Cenefom Corp. |
| 2022.11.01 | The 6th Board of Directors meeting in 2022 | I. Ratification of 2022 Q3 financial statements<br>II. Approval of real property right-of-use assets<br>III. Approved of acquisition of common stock of WEB-PRO Corp. |
| 2023.02.23 | 1st Board of Directors meeting in 2023 | I. Approved of 2022 Financial Statements, Business Report and the 2023 Business Plan<br>II. Approved of not continuing to handle the private placement of securities approved by the shareholders' regular meeting in 2022<br>III. Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement<br>IV. Approval of the donation to the BenQ Foundation<br>V. Approved of the proposal on matters concerning the company's 2023 regular shareholders' meeting |

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

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

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

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

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

## CPA Fees Information

### (I) CPA Fees Information

**Amount unit: NT$ thousand**

| Name of CPA Firm | Name of CPA | Audit Period | Audit Fees | Non-audit Fees | | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | System Design | Company Registration | Human Resources | Others (Note) | Subtotal | |
| KPMG | Tsih-Jieh, Tang<br>Wei-Ming, Shih | 2022.01.01~2022.12.31 | 4,960 | - | - | - | 680 | 680 | Note: It refers to transfer pricing public fees and tax visa services. |

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

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

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

## Replacement of CPAs

None.

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

None

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

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

:

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

Unit: Share

| Position (Note 1) | Name | 2022 Change in Number of Shares Held | 2022 Change in Shares Pledged | As of April 2, 2023 Change in Number of Shares Held | As of April 2, 2023 Change in Shares Pledged |
|---|---|---|---|---|---|
| Chairman of the Board of Directors | Qisda Corporation | - | - | - | - |
| Representative Chairman and CEO | Zhien-Chi (Z.C) Chen | 101,848 | - | - | - |
| Director Representative | Peter Chen | - | - | - | - |
| Director | Kuen-Yao (K.Y.) Lee | - | - | - | - |
| Director | Eric Yu (Date of dismissal:2022/6/16) | - | - | NA | NA |
| Corporate Director | BenQ Corporation | - | | | |
| Director Representative | Conway Lee | - | - | - | - |
| Director Representative | Ray Liu | 76,386 | | | |
| Independent Director | Frank Yeh | - | - | - | - |
| Independent Director | Chiou-Ming Chen (Date of dismissal:2022/6/16) | - | - | NA | NA |
| Independent Director | Louis Y. Y. Lu | - | - | - | - |
| Independent Director | Gong Wang | - | - | | |
| Independent Director | Tri-Rung Yew (Date of dismissal:2022/10/19) | - | - | NA | NA |
| General manager | Ray Liu | 76,386 | - | - | - |
| Vice President | Oliver Liu | 42,440 | - | - | - |
| Vice President | Charles Liu | 59,410 | - | - | - |
| Vice President | Li-chuan Chiu (Date of dismissal:2023/1/4) | 33,910 | - | NA | NA |
| Senior Manager | Lung-hai Wu | (13,052) | - | - | - |
| Senior Manager | Chen-kuan Kuo | 33,950 | - | - | - |
| Senior Manager | Ting-yuan Chiang | 33,952 | - | - | - |
| Senior Manager | Chao-yi Yang | 33,952 | - | - | - |
| Finance Associate General Manager | Sheng-hsiang Wang | 33,948 | - | - | - |
| Major Shareholder | Qisda Corporation | - | - | - | - |
| Major Shareholder | BenQ Corporation | - | - | - | - |

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

## (II) Stock transfer with related party: None.

## (III) Stock Pledge with related party: None.

## Relationships among the company's ten largest shareholders

April 2, 2023 Unit: Thousand shares; %

| NAME | CURRENT SHAREHOLDING | | SPOUSE & MINOR SHAREHOLDING | | SHAREHOLDING BY NOMINEES | | AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER NO. 6 OF THE FINANCIAL AND ACCOUNTING STANDARDS OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP | | NOTE |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | % | Number of Shares | % | Number of Shares | % | Designation (or Name) | Relationship | |
| BenQ Corporation<br>Director Representative: Conway Lee<br>(Shareholding: 99 thousand shares) | 80,848 | 25.21% | - | - | - | - | Qisda Corporation | Parent and Subsidiary Company | - |
| | | | | | | | Gordias Investment Limited | Parent and Subsidiary Company | - |
| | | | | | | | Kuen-Yao (K.Y.) Lee | Director | - |
| Qisda Corporation<br>Director Representative: Zhien-Chi (Z.C) Chen<br>(Shareholding: 1,257 thousand shares)<br>Peter Chen<br>(Shareholding: 73 thousand shares) | 43,659 | 13.61% | - | - | - | - | BenQ Corporation | Parent and Subsidiary Company | - |
| | | | | | | | Gordias Investment Limited | Parent and Subsidiary Company | - |
| | | | | | | | Kuen-Yao (K.Y.) Lee | Director | - |
| Gordias Investment Limited<br>Principle: Qiu-Jin Hong<br>(Shareholding: 153 thousand shares) | 15,182 | 4.73% | - | - | - | - | Qisda Corporation | Parent and Subsidiary Company | - |
| | | | | | | | BenQ Corporation | Affiliates | - |
| Kuen-Yao (K.Y.) Lee | 4,580 | 1.43% | 775 | 0.24% | - | - | BenQ Corporation | Director | - |
| | | | | | | | Qisda Corporation | Director | - |
| Taishin International Commercial Bank is entrusted with BenQ Materials' employee shareholding trust property account | 4,404 | 1.37% | - | - | - | - | - | - | - |
| Dongmu Association | 3,327 | 1.04% | - | - | - | - | Kuen-Yao (K.Y.) Lee | Chairman | - |
| HSBC Bank (Taiwan) Limited is entrusted with the custody of the investment account of Goldman Sachs International, a British businessman | 3,248 | 1.01% | - | - | - | - | - | - | - |
| HSBC Bank (Taiwan) Limited is entrusted with the custody of Mitsubishi UFJ Morgan Stanley Securities - Securities Transaction Order | 2,500 | 0.78% | - | - | - | - | - | - | - |
| JPMorgan Chase bank account via Escrow investment account | 2,280 | 0.71% | - | - | - | - | - | - | - |
| JPMorgan Chase Bank Taipei Branch is entrusted with the investment account of Japan Securities Finance Co., Ltd. | 2,038 | 0.64% | - | - | - | - | - | - | - |

## Comprehensive shareholding ratio information

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

December 31, 2022; Unit: Thousand shares

| Investee business | Ownership by the Company | | Investment directly or indirectly controlled by directors, supervisors, and managers of BenQ Material (Note 1) | | Total Ownership | |
|---|---|---|---|---|---|---|
| | Number of Shares | Percentage of Ownership | Number of Shares | Percentage of Ownership | Number of Shares | Percentage of Ownership |
| Visco Vision Inc. | 9,334 | 14.82% | 917 | 1.68% | 10,250 | 16.50% |
| Cenefom Corporation Limited | 11,646 | 51.34% | 361 | 1.59% | 11,646 | 51.34% |
| Genejet Biotech Co. Ltd | 3,767 | 70% | - | - | 3,767 | 70% |
| MLK BIOSCIENCE CO., LTD. | 217 | 20% | - | - | 217 | 20% |
| Coatmed Incorporation | 598 | 9.98% | - | - | 598 | 9.98% |

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

# Capital Overview

## Capital and Shares

## (I) Source of Capital

### 1. Type of Shares

April 2, 2023 Unit: shares

| Type of Shares | Authorized Capital | | | | | Note |
|---|---|---|---|---|---|---|
| | Issued Shares | | | unreleased Shares | Total | |
| | OTC | Non-OTC | Total | | | |
| Common stock | 320,674,514 | - | 320,674,514 | 79,325,486 | 400,000,000 | Listed company stock |

### 2. Source of Capital

Unit: NT$ thousand, thousand shares

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

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

## (II) Shareholder structure

April 2, 2023 Unit: shares; %

| Shareholder structure | Government Agencies | Financial Institutions | Other Institutional Shareholders | Domestic Natural Persons | Foreign Institutions and Natural Persons | Total |
|---|---|---|---|---|---|---|
| Number of shareholders | 0 | 12 | 174 | 46,939 | 81 | 47,206 |
| Shares Held | 0 | 8,116,735 | 144,789,205 | 148,692,653 | 19,075,921 | 320,674,514 |
| Percentage of Ownership | 0% | 2.53% | 45.15% | 46.37% | 5.95% | 100.00% |

## (III) Distribution of ownership

Par value per share: NT$ 10; April 2, 2023

| Range of Shares | Number of Shareholders | Shareholding (shares) | Shareholding Ratio (%) |
|---|---|---|---|
| 1 ~ 999 | 22,159 | 495,706 | 0.15% |
| 1,000 ~ 5,000 | 20,310 | 40,918,811 | 12.76% |
| 5,001 ~ 10,000 | 2,614 | 21,684,603 | 6.76% |
| 10,001 ~ 15,000 | 636 | 8,300,106 | 2.59% |
| 15,001 ~ 20,000 | 471 | 8,843,456 | 2.76% |
| 20,001 ~ 30,000 | 376 | 9,816,887 | 3.06% |
| 30,001 ~ 40,000 | 164 | 5,889,981 | 1.84% |
| 40,001 ~ 50,000 | 114 | 5,383,636 | 1.68% |
| 50,001 ~ 100,000 | 207 | 14,958,146 | 4.66% |
| 100,001 ~ 200,000 | 84 | 11,755,857 | 3.67% |
| 200,001 ~ 400,000 | 33 | 9,267,460 | 2.89% |
| 400,001 ~ 600,000 | 10 | 4,785,275 | 1.49% |
| 600,001 ~ 800,000 | 9 | 6,372,722 | 1.99% |
| 800,001 ~ 1,000,000 | 3 | 2,793,379 | 0.87% |
| Over 1,000,001 | 16 | 169,408,489 | 52.83% |
| Total | 47,206 | 320,674,514 | 100.00% |

## (IV) List of major shareholders

April 2, 2023

| Name of Major Shareholders | Shareholding (shares) | Shareholding Ratio (%) |
|---|---|---|
| BenQ Corporation | 80,847,763 | 25.21% |
| Qisda Corporation | 43,659,294 | 13.61% |
| Gordias Investment Limited | 15,182,178 | 4.73% |
| Kuen-Yao (K.Y.) Lee | 4,580,396 | 1.43% |
| Taishin International Commercial Bank is entrusted with BenQ Materials' employee shareholding trust | 4,403,611 | 1.37% |
| Dongmu Association | 3,327,410 | 1.04% |
| HSBC Bank (Taiwan) Limited is entrusted with the custody of the investment account of Goldman Sachs International, a British businessman | 3,248,088 | 1.01% |
| HSBC Bank (Taiwan) Limited is entrusted with the custody of Mitsubishi UFJ Morgan Stanley Securities - Securities Transaction Order | 2,500,000 | 0.78% |
| JPMorgan Chase bank account via Escrow investment account | 2,280,000 | 0.71% |
| JPMorgan Chase Bank Taipei Branch is entrusted with the investment account of Japan Securities Finance Co., Ltd. | 2,038,000 | 0.64% |

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

| Item \ Year | | | 2022 | 2021 years |
|---|---|---|---|---|
| Market Price Per Share (Note 1) | Highest | | 38.25 | 44.65 |
| | Lowest | | 25.60 | 21.15 |
| | Average | | 32.58 | 32.45 |
| Net Worth per Share (Note 2) | Before distribution | | 18.86 | 15.73 |
| | After distribution | | 16.86 | 14.23 |
| Earnings per Share | Weighted average share (thousand shares) (before retrospective) | | 320,674 | 320,674 |
| | Earnings per Share | Before retrospective adjustment (NT$) | 4.04 | 3.03 |
| | | After retrospective adjustment (NT$) | 4.04 | 3.03 |
| Dividends Per Share | Cash dividends | | 2.00 | 1.50 |
| | Stock dividends | Stock dividends appropriated from retained earnings | - | - |
| | | Stock dividends appropriated from capital reserve | - | - |
| | Accumulated unpaid dividends | | - | - |
| Investment Return Analyses | Price/Earnings Ratio (Note 3) (times) | | 8.06 | 10.73 |
| | Price/Earnings Ratio (Note 4) (times) | | 16.29 | 21.67 |
| | Cash dividend yield (Note5) (%) | | 6.14 | 4.62 |

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

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

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

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

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

## (VI) Dividend Policy and Implementation Status

### 1. Dividend Policy:

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

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

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

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

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

On February 23, 2023, the resolution of the board of directors of the company approved the distribution of shareholders' cash dividends of NT$641,349,028 (NT$2 per share), and will submit a report on the 2023 shareholders' regular meeting.

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

None.

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

**(VIII) Employee dividends and compensation of directors and supervisors**

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

Dividend policy stipulated in Article 19 of the Company's Articles of Association:

If the Company has earnings, it shall set aside 5-20% of the balance as remuneration to the employees and no greater than 1% of the balance as remuneration to directors. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration.

The objects of the remuneration of employees in the preceding paragraph to be paid to stocks or cash may include employees of subordinate companies that meet certain conditions, and the conditions and distribution methods
are authorized by the board of directors or its authorized persons to decide.

2. **The current basis for estimating the amount of compensation for employees and directors, the basis for calculating the number of shares for employee**

**compensation for stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated number:**

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

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

   Approved by Board of Directors of the company on February 23, 2023

   (1) Distributions of employees' compensation of NT$ 165,977,670 and Directors' compensations of NT$ 12,448,326 in cash. There is no difference with the estimated amount of the recognized expenses in the year.

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

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

   (1) The employee's remuneration distributed in cash was NT $ 134,276,412 and Directors' remuneration is NT $ 10,070,731 in the previous year.

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

5. **Average employee salary adjustment**

   The Company regularly participates in international market salary surveys to adjust salary levels and provide competitive salaries in the market; adjusts salary based on the operations of the Company, price index, economic growth rate, and individual performance. The salary adjustment rate is 6% in 2022.

**(IX) Share repurchases: None.**

## Insurance of Corporate Bonds

**(I) Corporate bond issuance: None**

**(II) Special stock issuance: None**

**(III) Overseas depositary receipt issuance: None.**

**(IV) Employee stock option certificate issuance: None.**

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

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

## Implementation of the fund utilization plan

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

# Operational Highlights

## Business Content

### (I) Business Scope

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

### (II) Industry Overview

**1. Current status and development of the industry**

**Functional film**:

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

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

**Advanced Battery Materials**:

According to Industrial Technology Research Institute ("ITRI"), the penetration rate of global electric vehicles has reached 20% in 2022, which was equivalent to over 15 million units per year, creating an explosive growth of lithium-ion batteries. Countries are also actively developing new energy. For example, the United States passed the IRA Act to promote American manufacturing, and Europe actively decarbonized and supported renewable energy. Coupled with the impact of wars and the surge in natural gas and electricity, energy transformation has been accelerated. Taiwan has also announced its net-zero emission path in 2050. In 2030, the capacity of wind power and photovoltaic cumulative installations will reach 40 GWh. In 2040, new vehicles will be fully electrified. In 2050, renewable energy will account for more than 60%, with energy storage for stable power supply and grid-connected type. 1GW, and 0.5GW of solar energy storage. Many markets are growing steadily, and the prospects for the application of isolation films are promising.

**Medical products**:

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

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

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

3. **Industry development trends and competition**

**Functional film**:

- With the development of metaverse, the rapid increase of VR/AR equipment, 5G, AIoT technology and the accelerated development of global digitalization, the penetration rate of consumer electronics products continues to increase, and new scenarios and new applications promote the diversified development of IT products. With the emergence of display demand, the market space for panels has also increased. Driven by market demand, the production capacity of polarizers has gradually increased, and a new room for growth has also ushered in.
- Industrial development is mainly developing towards the post-epidemic trend, vehicle display, medical related and innovative consumption models. In terms of display technology, major panel manufacturers focus on high-resolution, super-large size, high refresh rate, OLED, Mini- LED, Micro-LED... and other multiple new technologies continue to deploy, actively carry out product innovation, and explore potential markets, which will help strengthen the competitiveness of enterprises in low demand periods.
- In 2022, the development of the global polarizer industry will be under pressure. On the one hand, new production capacity will continue to be released from the second half of 2021, and the supply and demand have been eased; on the other hand, the Russia-Ukraine War has had many impacts on the global consumer electronics and supply chain situation, with panel prices sluggish and the epidemic The resulting poor logistics and high costs have caused large fluctuations in the supply and demand of the polarizer market.

**Advanced Battery Materials**:

Because of the developing trend of the lithium battery industry and material industry worldwide, the core manufacturing power will be in China, Europe and the US to sustain the market supply and demand. Meanwhile, the major car manufacturers started to create the competitiveness in electric vehicle development and investment strategy.

- **China**: The subsidy will expire to drive the sales growth of electric vehicles. In addition, the double credit policy points out the target of corporate average fuel consumption and the proportion of new energy vehicle credits. It is estimated that the sales volume will reach 20% in 2025. At the same time, the new benchmark for the parallel management of the average fuel consumption of passenger car companies and the credits of new energy vehicles implemented in 2018 has forced major auto factories to invest more actively, and manufacturers that do not have industrial technology and cost competitiveness are gradually eliminated and withdrawn from the market.

- **European Union**: Europe is aiming to decrease the passenger car CO2 emissions to 59g/km in 2030. Thanks to the expansion of subsidies of the European government to the electric vehicle industry, sales of electric vehicles in Europe have been increasing due to the epidemic. Major auto factories have published various types of pure electric vehicles (BEV) and hybrid electric vehicles (HEV) to comply with regulations. At the same time, it also greatly drives the demand for lithium-ion batteries.
- **In the United States:** Biden government passed the IRA Act, promoted American manufacturing, and proposed the US$2 trillion Green New Deal includes promoting the popularization of electric vehicles (MHEV, PHEV, HEV, BEV), extensively setting up car charging stations, renewing power grids, and deploying utility-scale battery energy storage equipment across the United States, and announced that 50% of passenger cars sold in 2030 will be electric vehicles. Pay attention to the practical applications promoted by follow-up policies.

Battery, isolation membrane technology route, and lithium battery technology are divided into two main directions, which are high energy density and high-power density. In general, high-power lithium-ion batteries are used in super sports cars, vertical takeoff and landing aircraft, HEV / PHEV, or industrial energy storage system. The power density has also increased significantly. Meanwhile, in order to achieve higher power density, the impedance of the isolation film must be reduced to meet the requirements of the next-generation high-power batteries.

**Medical products:**

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

## (III) Technology and R&D Overview

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

Unit: NT$ thousand

| Item \ Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| R&D Expense | 640,989 | 686,303 | 639,769 | 759,320 | 886,717 |
| Net Sales | 12,764,171 | 13,942,969 | 15,049,948 | 16,481,686 | 15,541,465 |
| Percentage of operating income (%) | 5.02% | 4.92% | 4.25% | 4.61% | 5.71% |

1. **Successfully developed technology or product**

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

   **Battery materials**: low internal resistance, high strength lithium-ion battery isolating film.

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

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

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

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

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

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

1. **Short-term plans:**

   **Functional film**

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

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

   **Advanced Battery Materials:**

   (1) While stabilizing the existing vehicle power battery markets in South China, East China, and Japan, we expand business in the European and the U.S. markets to achieve global deployment and increase market share.

   (2) Through our own technology, we integrate upstream raw materials into downstream battery factories and car factories.

   **Medical products:**

   (1) Cooperate with various types of medical associations and clinical cooperation projects to enhance brand strength.

   (2) Continue to expand more overseas regions and strengthen the international market share of products.

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

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

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

**Functional film:**

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

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

**Advanced Battery Materials:**

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

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

**Medical products:**

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

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

## Marketing and sales overview

### (I) Market analysis

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

Unit: NT$ thousand

| Region \ Year | | 2021 | | 2022 | |
|---|---|---|---|---|---|
| | | Amount | Ratio(%) | Amount | Ratio(%) |
| Domestic Sales | | 4,871,265 | 29.6% | 4,461,976 | 28.7% |
| Foreign Sales | Asia | 11,525,633 | 69.9% | 10,883,293 | 70.0% |
| | Others | 84,788 | 0.5% | 195,196 | 1.3% |
| | Export sales subtotal | 11,610,421 | 70.4% | 11,078,489 | 71.3% |
| Total | | 16,481,686 | 100.00% | 15,540,465 | 100.00% |

#### 2. Market share

According to data from the survey report of the Yano Institute of Economic Research, the top six global polarizer manufacturers in 2022 are Shanjin Optoelectronics, Sumitomo Chemical, Samsung SDI, Nitto Denko, Chengmei Materials, and BenQ Materials. BenQ Materials' global market share is about 6.07%.

#### 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: The continued increasing production capacity of the next-generation panels will drive the average size of displays and the overall market demand to increase. The polarizer production capacity increased only slightly compared to last year, which was mainly due to the slower-than-expected new production lines that was influenced by the Covid-19 pandemic. The overall outlook for 2023 is optimistic, but the Company needs to look closely at the low and high seasons of demand, maintain flexibility on its own, and take dynamic adjustments to the market.

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

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

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

**Advanced Battery Materials:**

The separator is one of the four key materials for lithium-ion batteries. BenQ Materials has invested in research on advanced battery materials for many years and has achieved fruitful results. The product is a three-layer separator composed of polyethylene (PE) and polypropylene (PP). Used in plug-in hybrid electric vehicles (PHEV) and hybrid electric vehicles (HEV), energy storage, electric tools and 3C products.

(1) Market supply and demand: The global market is booming, especially in Japan, China, Europe, and the United States.

(2) Favorable factors: Benefiting from the demand for various energy storage equipment, the demand for Advanced Battery Materials continues to grow.

(3) Unfavorable factors: long product verification period, large-scale production line expansion of Chinese competitors, mergers and acquisitions, joint ventures, and low-price competition.

(4) Countermeasure: Maintain a cooperative relationship with large customers, and develop future products by using independent R&D technology, and maintain a niche.

**Medical products:**

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

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

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

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

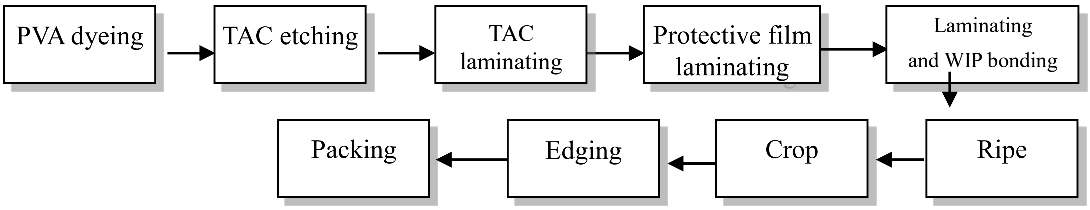
## (II) Important uses and production process of main products

### 1. Important uses of main products

| Main products | Important uses or functions |
|---|---|
| Display Materials | The key and necessary components of the polarizer. With the diversification and popularization of display device applications, it has been widely used in LCD TVs, desktop LCD monitors, tablet computers, notebook computers, mobile phones, wearable devices, and special industrial control and professional displays.<br><br>Current key applications are as follows:<br>2. Liquid Crystal Display (LCD)<br>The collocation of upper and lower polarizers controls the input and output of the optical polarization attitude. The polarization state of light changes when the alignment of the liquid crystal is changed under the drive of voltage, thus the display achieves the switching of light and dark.<br>3. Organic Light Emitting Display (OLED)<br>A circular polarizer can effectively mitigate the mirror reflection problem of the internal metal electrode inside the OLED. |

### 2. Production process of main products

**Production process of functional film:**




There are three production processes for polarizers:

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

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

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

## (III) Supply status of main raw materials

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

### (IV) Major supplier information in the past two years

Unit: NT$ thousand; %

| 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|
| Name | AMOUNT | Percentage of net purchases in the whole year (%) | Relationship with the Issuer | Name | AMOUNT | Percentage of net purchases in the whole year (%) | Relationship with the Issuer |
| A | 2,493,596 | 23 | - | A | 1,737,551 | 19 | - |
| B | 1,341,362 | 12 | - | B | 1,191,592 | 13 | - |
| Others | 7,047,621 | 65 | - | Others | 6,361,615 | 68 | - |
| Net purchase | 10,882,579 | 100 | - | Net purchase | 9,290,758 | 100 | - |

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

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

Unit: NT$ thousand; %

| 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|
| Name | AMOUNT | Percentage of net sales in the whole year (%) | Relationship with the Issuer | Name | AMOUNT | Percentage of net sales in the whole year (%) | Relationship with the Issuer |
| A | 5,864,527 | 36 | Stakeholders | A | 5,070,036 | 33 | Stakeholders |
| Others | 10,617,159 | 64 | - | Others | 10,470,429 | 67 | - |
| Net sales | 16,481,686 | 100 | - | Net sales | 15,540,465 | 100 | - |

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

### (VI) Production value table in the past two year

Unit: km; NT$ thousand

| Year / Main Products | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| Functional film | 37,000 | 26,514 | 10,484,027 | 37,300 | 22,537 | 8,521,941 |
| Others | - | - | 332,215 | - | - | 466,719 |
| Total | 37,000 | 26,514 | 10,816,242 | 37,300 | 22,537 | 8,988,660 |

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

Unit: km2; NT$ thousand; %

| Year / Main Products | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic Sales | | Foreign Sales | | Domestic Sales | | Foreign Sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Functional film | 10.863 | 4,438,179 | 28,081 | 10,398,742 | 11,001 | 3,942,690 | 28,240 | 9,547,741 |
| Others | - | 433,086 | - | 1,211,679 | - | 519,287 | - | 1,530,747 |
| Total | 10,863 | 4,871,265 | 28,081 | 11,610,421 | 11,001 | 4,461,977 | 28,240 | 11,078,488 |

## Employee information

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

| Year | | 2021 | 2022 | April 2, 2023 |
|---|---|---|---|---|
| Number of Employees | Direct employees | 912 | 1016 | 898 |
| | Indirect employees | 599 | 699 | 708 |
| | Total | 1511 | 1715 | 1,606 |
| Average age (age) | | 35.4 | 35.4 | 36.4 |
| Average years of service (years) | | 6.2 | 6.2 | 7.0 |
| Education distribution ratio (%) | PhD | 2 | 2 | 2 |
| | Master's | 22 | 23 | 25 |
| | Bachelor's | 42 | 44 | 41 |
| | High school | 32 | 29 | 30 |
| | Below high school | 2 | 1 | 2 |

## Environmental protection expenditure information

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

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

- In August 2021, the Taoyuan plant was fined NT$ 60,000 in accordance with Article 31, Paragraph 1, Clause 2 of the Waste Disposal Law, due to the discrepancy in the reported quantity caused by the wrongful setting of the number of storage quantities in the waste statistics table. This is missing declaration, however it has not caused environmental pollution.

### (II) Future countermeasures (including improvement measures)

Improvement measures:

- Therefore, in order to prevent the issue happening again, the numerical digits of the factory statistics should be changed to three digits, and the value should be confirmed through repeat calculation; the data should be cross-reference with Taiwan operation factory to confirm the reported value.
- For the reporting work of the competent authority, we make a tracking form, include it in the reporting schedule and complete the reporting feedback mechanism.

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

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 take continuous energy and carbon reduction as the goal. 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.

## Employment relations management

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

#### 1. BenQ Materials Human Rights Policy

(1) Human rights policy: BenQ Materials attaches great importance to the respect and equality of labor human rights, and follows the verification of international labor standards, the Global Sullivan Principles, the United Nations Guiding Principles on Business and Human Rights (UDHR), the United Nations Guiding Principles on Business and Human Rights (UNGPs), and the Responsible Business Alliance It is the code of conduct (Responsible Business Alliance, RBA) and other relevant human rights standards, the laws and regulations of the country where the operating base is located, and the norms of the ISO 45001 occupational safety and health management system.

(2) Commitments to human rights

- Creating a safe and secure working environment to retain employees and increase employee engagements
- Establishing internal grievance procedures to handle discrimination cases fairly
- Implementing prevention management and auditing system to ensure work environment safety and operational safety

(3) Measures of human rights management:

- implementing workplace protection that is tailored for employees with various working ages, working hours, wages and benefits, humane treatment, advocating non-discrimination conducts, respecting freedoms of assembly and association, establishing management mechanisms, and promoting execution of the mechanisms to ensure that employees' human rights are properly taken care of.
- The Company will promote a healthy and positive labor-management relationship by holding regular labor meetings, setting up multiple communication or complaints channels on matters that violate labor rights and interests, handling complaints or incidents confidentiality, creating a corporate environment that respects, cares for and protects human rights, and protect the rights of collective bargaining of labor organizations.

- There has been no use of child labor, forced labor, etc.
- In order to protect the rights and interests of employees and BenQ intellectual property, the employment contract should be signed with employees on the first day of employment. The employment contract has also clearly outlined the minimum notice period for the termination in accordance with the laws and regulations of where the Company operates.
- The Company offers regular training courses on unlawful infringement, executes unsafe equipment improvement projects, and advocates safety conducts.
- BenQ has committed itself to protecting employees' rights and interests and safeguarding human rights, and BenQ has established a number of regulations and measures in parallel with the implementation of various management systems.

(4) Human Rights Risk Mitigation Measures: BenQ takes the following actions to ensure that its corporate code of conduct is consistent with the Responsible Business Alliance Code of Conduct (RBA Code of Conduct).

(5) Human Rights Due Diligence Process: In accordance with RBA standards, we conduct regular internal audits and fully cooperate with external stakeholders to investigate and identify human rights issues and high-risk groups.

| Objects | Affected objects | Human Rights Issues | Evaluation/Communication Pipeline | Mitigation Measures |
|---|---|---|---|---|
| Employees | Pregnant and breastfeeding colleagues | 1. Health (Pregnant and breastfeeding)<br>2. Workplace Safety<br>3. Employee opinion platform | 1. Abnormal fetus or miscarriage or poor breastfeeding<br>2. Workplace or work content affecting fetal health | Planning and executing maternity protection programs |
| Employees | All employees | Health | 4. Poor health check results<br>5. Occupational diseases or occupational disasters | 1. Reminder and advocacy of health check<br>2. Health Promotion Campaign<br>3. Health consultation clinic for resident physicians |

(6) Training of human rights protection

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

(7) Results of Human Rights Management Policy

- The rate of regular employees completing the training program relating to unlawful infringement achieved 100% in 2022.
- There are no cases relating to child labor, employment discrimination, workplace discrimination, unlawful assault, sexual harassment, etc. in 2022.
- The settlement rate of employee complaints through the grievance procedure pipeline reached 100% in 2022.
- The FSI of 2022 was 0.12, which failed the target of zero disabling injuries.

**2. Employee welfare measures and their implementation:**

Respecting human nature and caring for employees is one of the company's important business concepts. To this end, we are committed to creating a friendly workplace, properly taking care of the physical and mental health of colleagues or their families, and establishing various guarantees of their lives, so that they can be unconcerned. The company is striving forward without worries. In addition to being recognized by the company's colleagues, these measures have also been repeatedly affirmed by the competent authorities. In 2019, it was awarded the 1111 Human Bank Happy Enterprise, and in 2020 it was awarded the "Sports Enterprise Certification" by the Sports Administration of the Ministry of Education. In 2021 and 2022, both Awarded Best Employer in Asia. In actual operation, the company's various welfare plans are made by the Welfare Committee composed of company employees, which is responsible for the planning and implementation of employee welfare matters. The current welfare measures are as follows:

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

(2) The company specially provides: New Year's Day and performance bonuses (linking responsibilities and performance results), group insurance and health checks, employee dividends, wedding and funeral celebrations, and injury and sickness condolence subsidies, dormitory provision, maternity leave days (12 weeks) that are better than the law, three-year-old The following childcare allowances (NT$ 5,000), independent performance appraisal for pregnant employees, welfare leave for newcomers (3 days for newcomers who are less than half a year old), meal allowances, 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 | Description | Course/ System Example |
|---|---|---|
| Core Development | The integrated system structure is based on based on the training and development activities designed in order to "achieve the company's corporate vision, and the core competencies that each employee needs to develop". | Common courses such as company introduction, company system, corporate culture, self-management, team partners, and quality concepts. |
| Professional Development | The integrated system structure is based on the training and development activities designed in order to effectively complete the professional abilities required for each category and position. | Human resources development training system, quality assurance training system, research and development training system and engineering technology training system. |
| Management Development | An integrated system structure based on the training and development activities designed for "management capabilities necessary to effectively integrate team strength to achieve team goals." | Divided into the high-level management system, middle-level management system and grass-roots management system. |

(2) On-the-job postgraduate training:

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

| Item | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Total number of people (person) | Total hours (hours) | Total cost (NT$: thousand) | Total number of people (person) | Total hours (hours) | Total cost (NT$: thousand) |
| New recruit training | 977 | 1,770 | 185 | 715 | 3,127 | 45 |
| Professional job training | 2,570 | 8,132 | 1,810 | 1,938 | 7,902.5 | 1,476 |
| Supervisor training | 516 | 1,569 | 2,427 | 1,251 | 7,268.5 | 1,903 |
| General training | 1,884 | 1,872 | 974 | 2,146 | 3470 | 892 |
| Total | 5,947 | 13,344 | 5,397 | 6,050 | 21,768 | 4,317 |

**4. Retirement system and its implementation:**

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

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

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

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

(5) For the employees of Taiwan’s operating bases, BenQ Materials, in accordance with the Labor Standards Act and the Labor Pension Regulations, regularly allocates reserve funds to statutory pension accounts based on the actuary’s pension actuarial report under the old system, while the new system transfers funds monthly As for individual pension accounts, each operating base in China is handled in accordance with the local labor laws of China, and pension insurance is purchased for employees, so that employees can enjoy peace of mind after retirement.

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

The company values employees' opinions. In addition to holding regular company business briefings and monthly supervisor meetings for all employees, we adopt open management methods of supervisors, encourage colleagues to communicate with relevant personnel in an open and transparent manner at any time, and require the supervisor and relevant departments to give a quick as soon as possible in order to achieve 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, the Company will also fulfill its social responsibilities and continue its business. In addition to complying with relevant domestic regulations, all factories have passed the internationally recognized ISO 14001 environmental management system and ISO 45001 occupational health and safety management system certification. The specific measures are as follows:

(1) Focus on source management:

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

(2) Promote safety culture:

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

(3) Strengthen communication and training on hazard prevention

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

(4) Promote employee health

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

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

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

## Important contract

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

April 2, 2023

| Type of Contract | Party | Contract Duration | Contract Content | Restrictions |
|---|---|---|---|---|
| Financing | E.Sun Commercial Bank, Ltd. | 2022.06-2027.06 | Enrich interim operating capital | None |

# Financial Information

## I. Financial Highlights

### (I) Condensed balance sheet

1. International Financial Reporting Standards - Consolidated Financial Statements

Unit: NT$ thousand

| Item \ Year | | Most Recent 5-Year Financial Information | | | | |
|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2020 | 2019 | 2018 |
| Current assets | | 6,856,955 | 6,714,324 | 5,552,093 | 4,572,402 | 4,788,590 |
| Property, plant and equipment | | 5,064,453 | 4,493,229 | 4,349,216 | 4,357,273 | 4,331,733 |
| Intangible assets, net | | 141,383 | 165,773 | 34,254 | 44,578 | 44,663 |
| Other Assets | | 1,641,777 | 1,136,602 | 1,123,888 | 1,353,668 | 1,178,174 |
| Total Assets | | 13,704,568 | 12,509,928 | 11,059,451 | 10,327,921 | 10,343,160 |
| Current liabilities | Before distribution | 5,628,746 | 5,794,518 | 4,970,859 | 3,977,707 | 4,089,202 |
| | After distribution | Before distribution | 6,275,530 | 5,195,331 | 4,138,044 | 4,281,607 |
| Non-current liabilities | | 1,825,177 | 1,558,807 | 1,765,817 | 2,219,246 | 2,069,943 |
| Total Liabilities | Before distribution | 7,453,923 | 7,353,325 | 6,736,676 | 6,196,953 | 6,159,145 |
| | After distribution | Before distribution | 7,834,337 | 6,961,148 | 6,357,290 | 6,351,550 |
| The right attributable to the owner of the parent company | | 6,048,500 | 5,403,330 | 4,322,775 | 4,130,968 | 4,125,863 |
| Share capital | | 3,206,745 | 3,206,745 | 3,206,745 | 3,206,745 | 3,206,745 |
| Capital surplus | | 192,352 | 5,808 | 11,427 | 5,618 | 2,734 |
| Retained earnings | Before distribution | 2,718,238 | 1,934,086 | 1,188,137 | 952,501 | 911,104 |
| | After distribution | Before distribution | 1,453,074 | 963,665 | 792,164 | 718,699 |
| Other rights | | (68,835) | (103,309) | (83,534) | (33,896) | 5,280 |
| Treasury Stock | | - | - | - | - | - |
| Non-controlling rights | | 202,145 | 113,273 | - | - | 58,152 |
| Total Equity | Before distribution | 6,250,645 | 5,156,603 | 4,322,775 | 4,130,968 | 4,184,015 |
| | After distribution | Before distribution | 4,675,591 | 4,098,303 | 3,970,631 | 3,991,610 |

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 | | Most Recent 5-Year Financial Information | | | | |
|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2020 | 2019 | 2018 |
| Current assets | | 5,868,060 | 6,098,420 | 5,135,563 | 4,153,215 | 4,298,318 |
| Property, plant and equipment | | 4,010,841 | 3,610,070 | 3,229,360 | 3,195,212 | 3,038,812 |
| Intangible assets, net | | 22,309 | 30,634 | 21,090 | 22,125 | 13,139 |
| Other Assets | | 4,028,300 | 2,461,033 | 2,481,066 | 2,702,663 | 2,616,341 |
| Total Assets | | 13,929,510 | 12,200,157 | 10,867,079 | 10,073,215 | 9,966,610 |
| Current liabilities | Before distribution | 6,086,447 | 5,649,461 | 4,803,917 | 3,783,109 | 3,828,897 |
| | After distribution | Before distribution | 6,130,473 | 5,028,389 | 3,943,446 | 4,021,302 |
| Non-current liabilities | | 1,794,563 | 1,507,366 | 1,740,387 | 2,159,138 | 2,011,850 |
| Total Liabilities | Before distribution | 7,881,010 | 7,156,827 | 6,544,304 | 5,942,247 | 5,840,747 |
| | After distribution | Before distribution | 7,637,839 | 6,768,776 | 6,102,584 | 6,033,152 |
| Share capital | | 3,206,745 | 3,206,745 | 3,206,745 | 3,206,745 | 3,206,745 |
| Capital surplus | | 192,352 | 5,808 | 11,427 | 5,618 | 2,734 |
| Retained earnings | Before distribution | 2,718,238 | 1,934,086 | 1,188,137 | 952,501 | 911,104 |
| | After distribution | Before distribution | 1,453,074 | 963,665 | 792,164 | 718,699 |
| Other rights | | (68,835) | (103,309) | (83,534) | (33,896) | 5,280 |
| Treasury Stock | | - | - | - | - | - |
| Total Equity | Before distribution | 6,048,500 | 5,043,330 | 4,322,775 | 4,130,968 | 4,125,863 |
| | After distribution | Before distribution | 4,562,318 | 4,098,303 | 3,970,631 | 3,933,458 |

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

## (II) Condensed income statement

### 1. International Financial Reporting Standards - Consolidated Financial Statements

Unit: NT$ thousand

| Item \ Year | Most Recent 5-Year Financial Information | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Sales Revenue | 15,540,465 | 16,481,686 | 15,049,948 | 13,942,969 | 12,764,171 |
| Gross Profit | 3,078,371 | 3,056,537 | 2,273,534 | 2,142,028 | 1,850,177 |
| Operating net profit (loss) | 696,807 | 977,318 | 547,373 | 353,857 | 439,629 |
| Non-operating income and (expense) | 1,058,370 | 230,654 | (37,594) | (19,364) | (67,335) |
| Net profit (loss) before tax | 1,755,177 | 1,207,972 | 509,779 | 334,493 | 372,294 |
| Business unit Net (loss) in the current period | 1,755,177 | 1,207,972 | 509,779 | 334,493 | 372,294 |
| Loss from Discontinued Operations | - | - | - | - | - |
| Net (loss) in the current period | 1,284,741 | 969,527 | 395,973 | 256,740 | 325,374 |
| Other comprehensive (loss) in the current period (after tax) | 34,474 | (20,909) | (49,638) | (39,087) | (44,855) |
| Comprehensive (loss) | 1,319,215 | 948,618 | 346,335 | 217,653 | 280,519 |
| Net belongs to the owner of the parent company | 1,295,670 | 971,555 | 395,973 | 257,124 | 328,579 |
| Net belongs to non-controlling right | (10,929) | (2,028) | - | (384) | (3,205) |
| The total profit and loss is attributed to the owner of the parent company | 1,330,144 | 950,646 | 346,335 | 217,948 | 283,681 |
| Comprehensive profit and loss total attribution from non-controlling right | (10,929) | (2,028) | - | (295) | (3,162) |
| Earnings per share (loss) | 4.04 | 3.03 | 1.23 | 0.80 | 1.02 |

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 | Most Recent 5-Year Financial Information | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Sales Revenue | 14,780,630 | 15,898,350 | 14,207,202 | 13,058,534 | 12,252,741 |
| Gross Profit | 2,313,886 | 2,341,237 | 1,843,603 | 1,826,809 | 1,652,841 |
| Operating net profit (loss) | 541,782 | 815,259 | 573,884 | 514,714 | 558,115 |
| Non-operating income and (expense) | 939,569 | 383,158 | (81,945) | (193,104) | (194,490) |
| Net profit (loss) before tax | 1,481,351 | 1,198,417 | 491,939 | 321,610 | 363,625 |
| Net (loss) in the current period | 1,295,670 | 971,555 | 395,973 | 257,124 | 328,579 |
| Other comprehensive (loss) in the current period (after tax) | 34,474 | (20,909) | (49,638) | (39,176) | (44,898) |
| Comprehensive (loss) | 1,330,144 | 950,646 | 346,335 | 217,948 | 283,681 |
| Net belongs to the owner of the parent company | - | - | - | - | - |
| Net belongs to non-controlling right | - | - | - | - | - |
| The total profit and loss is attributed to the owner of the parent company | - | - | - | - | - |
| Comprehensive profit and loss total attribution from non-controlling right | - | - | - | - | - |
| Earnings per share (loss) | 4.04 | 3.03 | 1.23 | 0.80 | 1.02 |

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

## (III) Names and auditing opinions of CPAs

| Year | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| CPA | Tsih-Jieh, Tang | Tsih-Jieh, Tang | Tsih-Jieh, Tang | Tsih-Jieh, Tang | Wei-Ming, Shih |
| | Wei-Ming, Shih | Wei-Ming, Shih | Wei-Ming, Shih | Wei-Ming, Shih | Hui-zhen, Zhang |
| Opinion | No reserve | No reserve | No reserve | No reserve | No reserve |

## II. Financial Analyses for the Past Five Fiscal Years

### 1. International Financial Reporting Standards-Consolidated Financial Statements

| Analysis Item | Year | Financial analysis for the last five years | | | | |
|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2020 | 2019 | 2018 |
| Financial structure (%) | Debt ratio | 54.39 | 58.78 | 60.91 | 60.00 | 59.55 |
| | Ratio of long-term capital to property, plant, and equipment | 159.46 | 149.46 | 139.99 | 145.74 | 144.38 |
| Solvency (%) | Current ratio | 121.82 | 115.87 | 111.69 | 114.95 | 117.10 |
| | Quick ratio | 70.34 | 63.35 | 57.34 | 59.61 | 64.31 |
| | Interest coverage ratio | 35.03 | 29.71 | 9.30 | 5.08 | 6.13 |
| Operating ability | Accounts receivable turnover rate (times) | 5.29 | 6.32 | 7.20 | 6.76 | 5.02 |
| | Average days for cash receipts (days) | 68.95 | 57.75 | 50.69 | 53.99 | 72.70 |
| | Inventory turnover rate (times) | 4.51 | 5.15 | 5.85 | 6.06 | 6.14 |
| | Accounts payable turnover rate (times) | 4.32 | 4.04 | 4.23 | 4.29 | 4.27 |
| | Average days for sale of goods | 80.95 | 70.87 | 62.39 | 60.23 | 59.44 |
| | Property, plant, and equipment turnover rate (times) | 3.07 | 3.67 | 3.46 | 3.20 | 2.95 |
| | Total assets turnover rate (times) | 1.13 | 1.32 | 1.36 | 1.35 | 1.23 |
| Profitability | Return on total assets (%) | 10.12 | 8.51 | 4.16 | 3.12 | 3.73 |
| | Return on shareholders' equity (%) | 22.52 | 20.46 | 9.37 | 6.18 | 7.83 |
| | Ratio of income before tax to paid-in capital (%) | 54.73 | 37.67 | 15.90 | 10.43 | 11.61 |
| | Net profit margin (%) | 8.27 | 5.88 | 2.63 | 1.84 | 2.55 |
| | Earnings (loss) per share | 4.04 | 3.03 | 1.23 | 0.80 | 1.02 |
| Cash flows | Cash flow ratio (%) | 6.92 | 17.48 | 22.20 | 28.45 | 52.18 |
| | Cash flow adequacy ratio (%) | 99.89 | 95.99 | 93.72 | 109.99 | 111.06 |
| | Cash reinvestment ratio (%) | (1.14) | 11.74 | 15.49 | 14.79 | 29.50 |
| Leverage | Operating leverage | 6.09 | 4.15 | 6.01 | 8.75 | 6.74 |
| | Financial leverage | 1.08 | 1.04 | 1.13 | 1.30 | 1.20 |

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

The ratio of pre-tax net profit to paid-in capital, net profit ratio, earnings (loss) per share, and operating leverage: mainly due to the increase in profits.

Cash flow ratio, cash reinvestment ratio: mainly due to the disposal of assets to be sold.

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

## 2. International Financial Reporting Standards-Individual Financial Statements

| Analysis Item | | Financial Analyses for the Past Five Fiscal Years (Year) | | | | |
|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2020 | 2019 | 2018 |
| Financial structure (%) | Debt ratio | 56.58 | 58.66 | 60.22 | 58.99 | 58.60 |
| | Ratio of long-term capital to property, plant, and equipment | 195.55 | 181.46 | 187.75 | 196.86 | 201.98 |
| Solvency (%) | Current ratio | 96.41 | 107.95 | 106.90 | 109.78 | 112.26 |
| | Quick ratio | 56.21 | 61.84 | 58.57 | 62.43 | 65.32 |
| | Interest coverage ratio | 30.22 | 30.03 | 9.26 | 5.07 | 6.31 |
| Operating ability | Accounts receivable turnover rate (times) | 4.99 | 5.81 | 6.68 | 6.44 | 4.92 |
| | Average days for cash receipts (days) | 73.08 | 62.84 | 54.62 | 56.66 | 74.25 |
| | Inventory turnover rate (times) | 5.16 | 5.77 | 6.30 | 6.52 | 6.43 |
| | Accounts payable turnover rate (times) | 3.63 | 3.83 | 4.00 | 4.03 | 4.03 |
| | Average days for sale of goods | 70.70 | 63.30 | 57.98 | 56.00 | 56.77 |
| | Property, plant, and equipment turnover rate (times) | 3.69 | 4.40 | 4.40 | 4.09 | 4.03 |
| | Total assets turnover rate (times) | 1.06 | 1.30 | 1.31 | 1.30 | 1.23 |
| Profitability | Return on total assets (%) | 9.61 | 8.14 | 3.33 | 1.94 | 2.72 |
| | Return on shareholders' equity (%) | 23.36 | 20.75 | 9.37 | 6.23 | 7.96 |
| | Ratio of income before tax to paid-in capital (%) | 46.19 | 37.37 | 15.34 | 10.03 | 11.34 |
| | Net profit margin (%) | 8.77 | 6.11 | 2.79 | 1.97 | 2.68 |
| | Earnings (loss) per share | 4.04 | 3.03 | 1.23 | 0.80 | 1.02 |
| Cash flows | Cash flow ratio (%) | 20.68 | 11.45 | 18.08 | 29.36 | 49.79 |
| | Cash flow adequacy ratio (%) | 116.58 | 87.61 | 91.84 | 111.27 | 107.40 |
| | Cash reinvestment ratio (%) | 9.91 | 6.45 | 11.68 | 14.60 | 26.36 |
| Leverage | Operating leverage | 6.04 | 4.01 | 4.54 | 4.97 | 4.56 |
| | Financial leverage | 1.10 | 1.05 | 1.12 | 1.18 | 1.14 |
| The reasons for the changes in various financial ratios in the last two years of 20% are explained as follows: | | | | | | |
| Pre-tax net profit to paid-in capital ratio, net profit ratio, profit (loss) per share, cash flow ratio, cash flow allowance ratio, cash reinvestment ratio, operating leverage: mainly due to increased profits. | | | | | | |

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

The calculation formula of the analysis item is as follows:

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

6. Leverage

(1) Operating leverage = (net operating income-variable operating costs and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit - interest expense).

## III. Audit Committee Check Report

The Company's Board of Directors has prepared annual financial statements for 2022. Entrusted by the Board of Directors, an audit report has been issued by Tang Ci-Jie and Shi Wei-Ming, two accountants of KPMG Taiwan. Upon review, the Audit Committee believes that the financial statements, business reports, audit reports by accountants, and earnings distributions hereto contain no discrepancies. This report is issued under provisions prescribed in Article XIV(4) of the Securities and Exchange Act and Article CCXIX of the Company Act. Report for inspection.

Sincerely,
BenQ Materials Corp. 2023 Annual Meeting of Shareholders

Convener of the Audit Committee:

葉福海

February 23, 2023

## IV. Consolidated Financial Statements and Independent Auditors' Report of the most recent year: please refer to Appendix 1 (page 95)

## V. Individual Financial Statements and Independent Auditors' Report for the most recent year: Please refer to Appendix 2 (page 177)

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

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

## Review and analysis of financial conditions

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

Unit: NT$ thousand; %

| Item \ Year | 2022 | 2021 | Difference | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Current assets | 6,856,955 | 6,714,324 | 142,631 | 6,856,955 |
| Long-term investment | 480,749 | 221,918 | 258,831 | 480,749 |
| Property, plant and equipment | 5,064,453 | 4,493,229 | 571,224 | 5,064,453 |
| Intangible assets, net | 141,383 | 165,773 | (24,390) | 141,383 |
| Other Assets | 1,161,028 | 914,684 | 246,344 | 1,161,028 |
| **Total Assets** | 13,704,568 | 12,509,928 | 1,194,640 | 13,704,568 |
| Current liabilities | 5,628,746 | 5,794,518 | (165,772) | 5,628,746 |
| Non-current liabilities | 1,825,177 | 1,558,807 | 266,370 | 1,825,177 |
| **Total Liabilities** | 7,453,923 | 7,353,325 | 100,598 | 7,453,923 |
| Share capital | 3,206,745 | 3,206,745 | 0 | 3,206,745 |
| Capital surplus | 192,352 | 5,808 | 186,544 | 192,352 |
| Cumulative profit (loss) | 2,718,238 | 1,934,086 | 784,152 | 2,718,238 |
| Other equity interest | (68,835) | (103,309) | 34,474 | (68,835) |
| Non-controlling interest | 202,145 | 113,273 | 88,872 | 202,145 |
| **Total shareholder equity** | 6,250,645 | 5,156,603 | 1,094,042 | 6,250,645 |

Explanation of material changes in financial ratios:

1. Long-term investment: mainly due to the increase in profits of the invested company and changes in the net value of equity.
2. Other assets: mainly due to the addition of right-of-use assets.
3. Capital reserve: Mainly due to changes in net worth of the shares of the invested company.
4. Cumulative profit and loss: Mainly driven by the increase in net profit this year.
5. Other rights: Mainly due to exchange rate changes.
6. Non-controlling interests: mainly due to the increase in the number of non-controlling interests in the capital increase of the consolidated subsidiaries.

## 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; %

| Year / Item | 2022 | 2021 | Change, by Percentage | |
|---|---|---|---|---|
| | | | Change, by Amount | % |
| Net Sales | 15,540,465 | 16,481,686 | (941,221) | 15,540,465 |
| Operating costs | 12,462,094 | 13,425,149 | (963,055) | 12,462,094 |
| Gross Profit | 3,078,371 | 3,056,537 | 21,834 | 3,078,371 |
| Operating Expenses | 2,381,564 | 2,079,219 | 302,345 | 2,381,564 |
| Operating net profit (loss) | 696,807 | 977,318 | (280,511) | 696,807 |
| Non-operating income and (expense) | 1,058,370 | 230,654 | 827,716 | 1,058,370 |
| Net profit (loss) before tax | 1,755,177 | 1,207,972 | 547,205 | 1,755,177 |
| Income tax benefit (fee) | (470,436) | (238,445) | (231,991) | (470,436) |
| Net (loss) in the current period | 1,284,741 | 969,527 | 315,214 | 1,284,741 |

Explanation of material changes in financial ratios:

1. Operating net profit (loss), net profit (loss) for the period: mainly due to the gradual transformation of the company.
2. Non-operating income and (expenses): mainly due to the disposal of assets to be sold in the current period.
3. Income tax benefits (expenses): Mainly due to the increase in the provision of income tax.

## Review and analysis of cash flow

**Changes in consolidated cash flow in 2022:**

(In Thousands of New Taiwan Dollars)

| Year | Cash at Beginning of Year | Operating Activities throughout the year Net Cash Flows | Investment activities throughout the year Net Cash Flows | financing activities throughout the year Net Cash Flows | Cash surplus (Including exchange rate influence) |
|---|---|---|---|---|---|
| 2021 | 148,243 | 1,012,949 | (645,769) | (213,187) | 278,127 |
| 2022 | 278,127 | 389,264 | 82,477 | (102,983) | 653,134 |
| Change rate(%) | 87.62% | -61.57% | -112.77% | -51.69% | 134.83% |

**(I)** Notes to increase/decrease:

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

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

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

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

The reinvestment policy of the company focuses on related core business and develops in the field of materials science, making good use of core technologies (polymer, precision coating, ejection and extrusion, optics, precision engraving, and process of roll-to-roll), which will adopt lean production policies, strictly control expenditures, and actively develop potential customers with horizontal integration of industries chain. At the same time, the technical team will continue to derive other applications to create higher added value to enhance the reinvestment business. The Company's net income from equity investments under the equity method that were recognized in the 2022 Consolidated Financial Statements was NT$110,101 thousand. In the future, the Company will continue to invest in core business-related strategies, and focus on brand management and new business development.

## Risk Management

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

**(I) Risk management vision:**

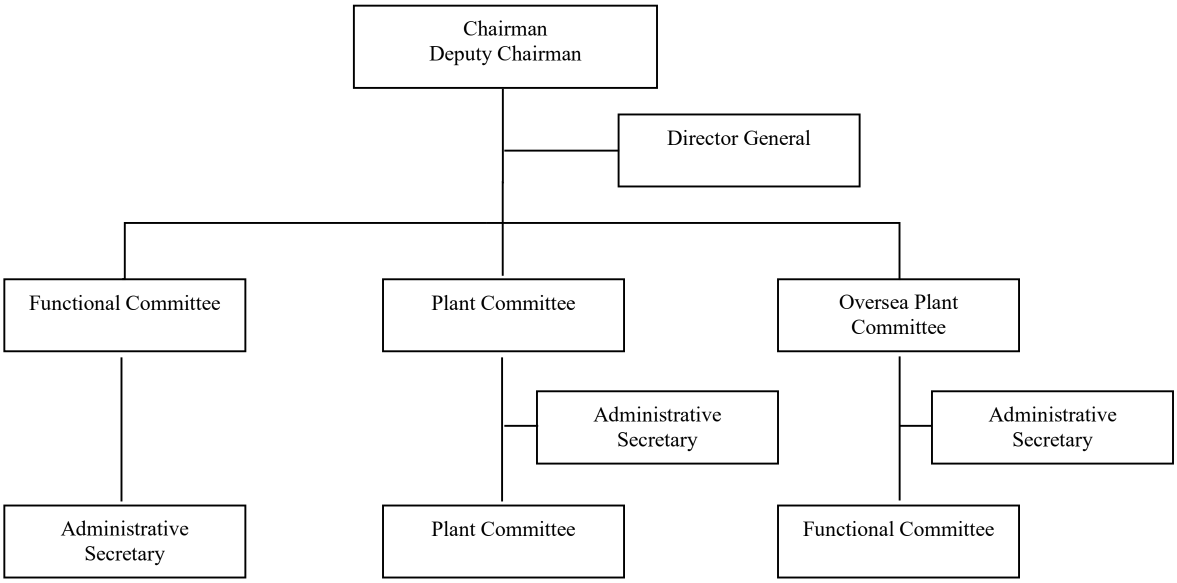
1. Undertake to continue to provide products and services to create long-term value for customers, shareholders, employees and society.
2. Risk management must have systematic risk management procedures and organizations to identify, evaluate, process, report and monitor major risks that affect the company's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

**(II) Risk management policy:**

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

## (III) Risk management structure and responsibilities:

Risk Management Committee Organization




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

## Risk management and evaluation

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

Changes in interest rate:

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

Changes in exchange rate:

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

Inflation:

The price has risen steadily in recent years, which has no significant impact on the results of the company's 2021 consolidated operations. The Company and its subsidiaries will continue to pay close attention to the inflation situation and appropriately adjust the product selling price and inventory to reduce the impact of inflation on the company and its subsidiaries.

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

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

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

1. Capital lending to others: As of the publication date of the Annual Report, the Company and its subsidiaries are limited to lending its capital to the Company and its subsidiaries.
2. Endorsement guarantee: As of the date of publication of the Annual Report, the company and its subsidiaries did not provide any endorsement guarantee.
3. Derivative transactions: The Company and its subsidiaries engaged in derivative transactions that are in line with the Company’s operation. The purpose is to avoid market risks and reduce the Company’s operational risks.

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

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

For future R&D plans, please refer to page 56 of Operational Highlights of the Annual Report. The company's estimated research and development expenses are gradually compiled according to the progress of new product and technology development to support future research and development plans. It is estimated that future research and development expenses will remain above a certain amount and will be adjusted according to operating conditions.

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

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

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

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

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 finds forward-looking, high-margin products with existing core technology, and actively invests 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.

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

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

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

The company currently does not have other corporate mergers and acquisitions activities but will make appropriate assessments and avoidance of the cost-effectiveness and possible risks of possible future strategic investments or vertical integration or even horizontal integration.

**(VIII) Expected benefits and possible risks of plant expansion**

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

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

**(IX) Risks encountered in concentration of purchases or sales**

1. The risks and countermeasures of purchases concentration:

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

2. The risks and countermeasures of sales concentration:

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

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

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

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

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

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

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

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

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

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

**(XIII)Impact and risk of information system**

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

1. Information Security Management Framework

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

2. Information Security Policy

   In order to strengthen information security management, the company has established various reliable information application systems to protect electronic information assets, avoid and reduce business damage, enhance business interests and ensure sustainable business operations. It better meets international information security management trends and responds to customer information security requirements, and formulates corporate information security policies with reference to the ISO27001 information security international standard. Over the years, we have continued to improve various internal information security management mechanisms, regularly carry out information security advocacy and employee information security education and training, etc., to implement information security policies, protect customer data and company intelligence output, strengthen information security incident response capabilities and achieve Information security policy metrics.

3. Control of information security and network risks

Cyber-attacks are ever evolving and changing, and information systems cannot completely prevent any third-party denial-of-service attacks. Cyber-attacks may introduce malware to the Company's internal network for intentional damage or information theft via emails, online phishing, or brute-force attacks. Brute-force attacks may force the Company's production and operations to stop, while information theft attacks may lead to leaks of material operating information, or personal information from employees or customers. The Company adopts active information security strengthening procedures. Besides introducing next-generation firewalls, email filtering, Internet access protection, operating system updates, installing anti-virus software, and 24/7 managed security service, the Company also evaluates risks related to information security each quarter through internal risk management system and reports status of risk control and improvement plans to the Risk Management Committee to control and mitigate relevant cyber risks. In view of the recent frequent hacking attacks, in order to reduce the company's huge losses due to major information security incidents, the company has already bought information security insurance in 2020. In order to effectively strengthen the overall information security governance capability, the ISO27001 information security international standard has been passed in 2022 (the validity period is 2022/4/1~2025/3/31), and it will be expanded to the Suzhou and Wuhu factories. And continue to repair the weaknesses of important systems.

4. Employee regular information security training

Conducted information security education and training for the information office, online information security education and training for the entire company (779 people), and information security lectures for senior executives (42 people), and implemented the information security month in October, in Taoyuan, Longtan, Yunlin, Factories such as Suzhou and Wuhu hold information security publicity activities. Through various information security education and training courses, we not only enhance employees' awareness of information security, but also ensure that information security concepts can be integrated into daily operations. In addition, the company regularly promotes relevant information security knowledge to employees through emails. In order to further reduce the risk of employees clicking malicious emails by mistake, the company plans to conduct monthly social engineering drills in 2022.

5. Supplier Information Security Management

In April 2022, for the first time, a total of 84 suppliers in each business group will conduct information security risk assessment operations. In addition to providing references for external risks of the company, information security guidelines will also be provided to relevant manufacturers to improve the overall information security maturity , to reduce the corresponding risks that may occur.

6. The company did not have any major cyberattacks that impacted the company's operations in 2022.

**(XIV) Impact and Risk of Intellectual Property Management**

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

1. Strategies and Targets of Intellectual Property

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

   In order to implement corporate governance laws and regulations, an intellectual property management plan combined with the company's operating strategy has been formulated, and the implementation situation is disclosed on the company's website, which will help gain the trust of shareholders and customers. Establish the patent rights and trademark rights management targets required for the company's intellectual property management R&D cycle, and deepen the company's business secret management to promote four major management policies and goals:

   Management policy:

   (1) Implementing corporate governance compliance and intellectual property management

   (2) Deepening key technologies and completing the layout of intellectual property

   (3) Raising employees' awareness of protecting intellectual property and creating intellectual property value

   (4) Protecting the use of R&D achievements and strengthening the protection of business secrets

   Management objectives:

   (1) Formulate an intellectual property management plan linked to operational goals, and submit an application for TIPS revalidation

   (2) Formulate and revise relevant management methods and procedures to effectively manage the company's intellectual property

   (3) Carry out relevant education and training courses

(4) R&D document management system

2. Intellectual Property Management System

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

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

(1) Patents

The Intellectual Property Office is the principal entity responsible for the Company's patent-related activities. The patent management and reward system includes related management norms such as patent application, R&D record management, patent right maintenance evaluation, and incentive measures. In 2021, the R&D document management system will be introduced, and the relevant regulations will be thoroughly reviewed, and the patent dispute handling mechanism and process will be further optimized. At the same time, the intellectual property risk assessment process and the review mechanism before the R&D results will be disclosed will help protect the company's R&D results and Avoid the risk of leakage of confidential information.

(2) Trademarks

The legal department is the principal entity responsible for the Company's trademark-related activities. In the relevant regulatory documents, the trademark management system has specified trademark-related management measures, to deal with issues relating to trademark design, development and search process, trademark proposal examination, trademark evaluation and trademark maintenance, and dispute settlement. This year, in the TIPS re-verification operation, the brand management method was added to strengthen the management mechanism of trademark design and development, and the trademark management method was revised, and the trademark application and use control process was continuously strengthened to avoid brand trademark risks and help protect the company's brand and enhance Brand Value.

(3) Confidential Information Management

In order to protect the management of the company's confidential information, the relevant regulations on the ownership of intellectual property rights, confidentiality obligations, and non-infringement of the former company's intellectual property are specified in the relevant operating procedures for the appointment and resignation of new employees, so as to maintain the company's business secrets and respect other companies. trade secrets. Continue to strengthen the management of confidential documents to avoid the risk of leakage of confidential information or key technologies.

3. Implementation of intellectual property management

According to the implementation of the intellectual property management plan, the company has introduced the intellectual property management system combined with the operation strategy. The implementation results of intellectual property management have been submitted to the sixth Board of Directors of 2022 on November 1, 2022, and will be disclosed with the report on the implementation of the intellectual property plan linked to the business goals on the company's website. The execution of management includes:

(1) Establish a working group to improve the intellectual property management system through cross-departmental cooperation;

(2) Implement the standardization of intellectual property management, and properly manage the company's intellectual property assets in accordance with the formulation and revision of relevant management methods and procedures;

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

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

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

(6) Establish a patented technology system and regularly provide patented technology trends for the heads of technology research and product development units to share technical information and review company strategies;

(7) and R&D cycle internal audit procedures are regularly initiated to confirm that the acquisition, maintenance and use of intellectual property rights are handled in accordance with the company's regulations.

(8) In order to protect the company’s intellectual property rights, employees sign relevant employment contracts at the time of taking office. The contracts legally stipulate that the job invention is the company’s intellectual property rights, and during term of office and after resignation, and the company’s intellectual property rights and business secrets shall be kept confidential;

(9) Organizing related training courses to raise employees' awareness of protecting the intellectual property.

4. Intellectual property achievements

As of December 2022, the company has filed a total of 1,180 patent applications worldwide, and has obtained 770 patents, with layout in major markets and countries such as Taiwan, the United States, the European Union, Japan, South Korea, China, and India. Material science and technology are the core, including polymer, optics, roll-to-roll process, precision coating process, precision engraving, extrusion/ejection molding and other related technologies, as well as polarizing film, non-polarizing optical film, contact lens, medical, battery separators.

Furthermore, as of November 30, 2022, the company has proposed more than 480 trademark designs worldwide and has obtained 410 trademark exclusive rights, covering Taiwan, the United States, the European Union, Japan, mainland China, South Korea, Southeast Asia, and New Zealand and Australia There are still more than 70 applications in major markets such as China and Taiwan.

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

5. Education Training

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

6. Advantages and Contributions of Intellectual Property to Business Operations

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

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

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

(4) Protect R&D results and strengthen confidentiality management: Self-developed "R&D document management system" to control R&D documents and strengthen the

management mechanism related to R&D process will help protect the company's R&D results and avoid the risk of leaking business secrets.

7. The Outlook of Intellectual Property Management

BenQ Materials actively encourages "material science" innovation and independent R&D. The strategy of intellectual property rights focuses on the core technology and integrates the company's technology and product development layout of quality patents as the first priority. It continues to promote the layout of patents, develop high-potential technologies, innovations in the production and operation processes, and effectively manage and use high-quality patents, hope that we can become a multi-product, multi-technology and multi-application company, and provide customers with unique value and satisfaction through continuous innovation.

With the help of the TIPS system, the company has effectively control the risks relating to intellectual property. This year, we will continue to cooperate with the company's business strategy and strengthen the intellectual property management system in order to promote the company's use of intellectual property to improve operating efficiency. In the future, we will continue to review the effective operation of the TIPS system, implement intellectual property management standards, strengthen corporate governance, and achieve sustainable development of the enterprise. Purpose.

8. The company has no major intellectual property-related litigation or non-litigation cases in 2022.

**(XV) Other important risks and countermeasures: None.**

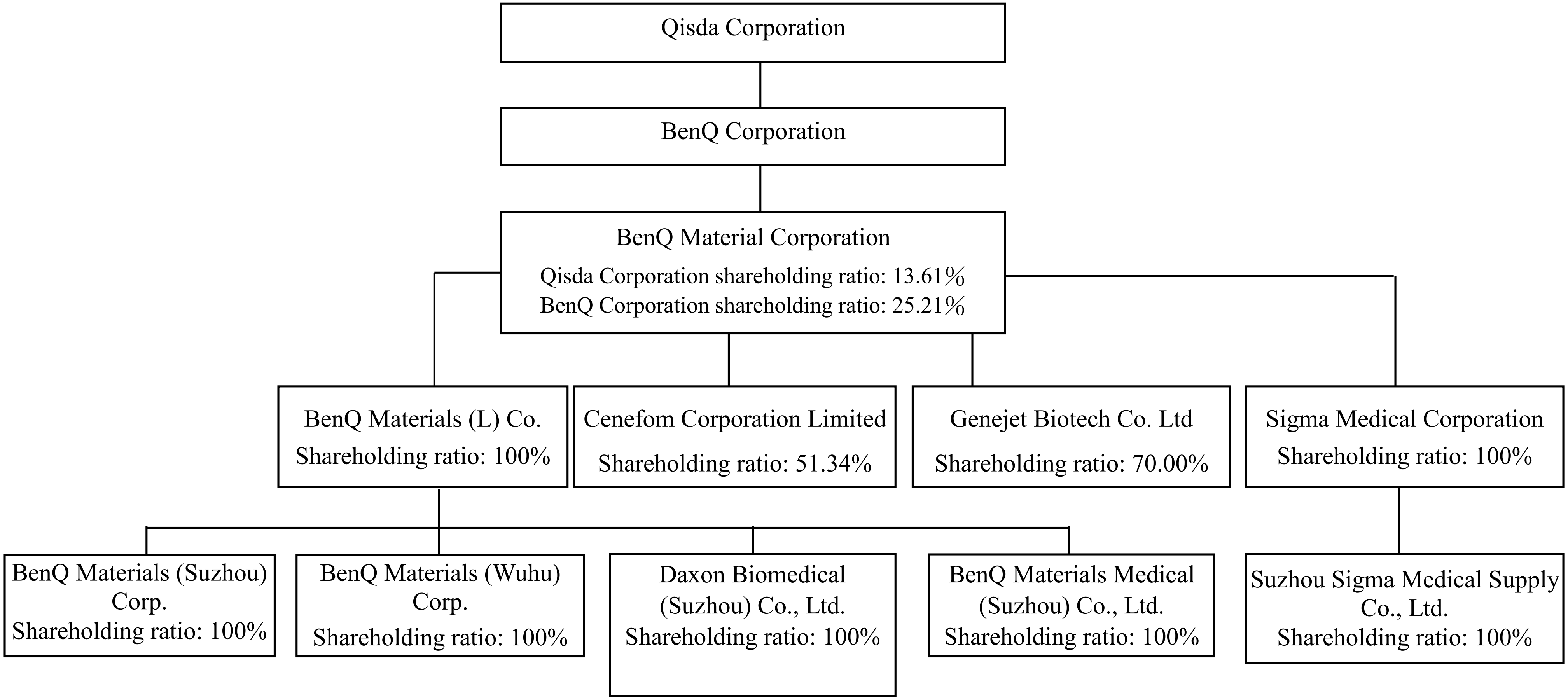
## Other important matters

**None**

# Special Disclosure

## Affiliated Company Related Information

**(I) Organization chart**



**(II) Basic information of related companies**

December 31, 2022 Unit: NT$ thousand

| Name of Affiliate | Date of Incorporation | Address | Paid-in Capital | Major Lines of Business or Products |
|---|---|---|---|---|
| BenQ Materials (L) Co. | 2000.09.07 | Level 15(B), Main office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia | 1,141,340 | Investment holding company |
| BenQ Materials (Suzhou) Corp. | 2000.09.29 | No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China | 891,170 | Processing of functional film products |
| Daxon Biomedical (Suzhou) Co., Ltd. | 2009.05.08 | No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China | 48,463 | Provide services and sales of medical devices and other related products |
| BenQ Materials (Wuhu) Corp. | 2010.11.05 | No. 106 Huajin South Road, High-tech Development Zone, Yijiang District, Wuhu City, Anhui Province, China | 352,456 | Manufacturing and sales of functional films and cosmetic-related products |
| BenQ Materials Medical (Suzhou) Co. Ltd. | 2019.07.08 | No. 13 Chunhui Road, Suzhou Industrial Park, Suzhou City, China | 66,086 | Manufacturing and sales of medical devices |
| Sigma Medical Corporation | 1979.04.21 | No. 29 Jianguo East Road, Guishan District, Taoyuan City | 20,000 | Sales of medical equipment |
| Suzhou Sigma Medical Supply Co., Ltd. | 2000.12.15 | No. 33, Yuexi Mulin Road, Wuzhong District, Suzhou city, China | 22,187 | Sales of medical equipment |
| Cenefom Corporation Limited | 2013.01.04 | 1F, No. 50-5, Keyan Road, Zhunan Town, Miaoli County, Hsinchu Science Park | 226,860 | Research and development, manufacturing and sales of medical equipment |
| Genejet Biotech Co. Ltd | 2011.10.24 | 3F, No. 56, Lane 77, Xing'ai Road, Neihu District, Taipei City | 53,809 | Research and development, manufacturing and sales of medical equipment |

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

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

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

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

December 31, 2022; Unit: Thousand shares;%

| Name of Affiliate | Position | Name or Representative | Shareholding: Number of Shares | Shareholding: Percentage of Ownership |
|---|---|---|---|---|
| BenQ Materials (L) Co. | Director | BenQ Material Corporation Representative:<br>Zhien-Chi (Z.C) Chen<br>Sheng-hsiang Wang | 35,082 | 100% |
| BenQ Materials (Suzhou) Corp. | Director | BenQ Materials (L) Co. Representative:<br>Ting-yuan Chiang<br>Oliver Liu<br>Charles Liu | - | 100% |
| | Supervisor | Sheng-hsiang Wang | | |
| | General manager | Ting-yuan Chiang | | |
| Daxon Biomedical (Suzhou) Co., Ltd. | Director | BenQ Materials (L) Co. Representative:<br>Wei Chen<br>Ting-yuan Chiang<br>Oliver Liu | - | 100% |
| | Supervisor | Sheng-hsiang Wang | | |
| | General manager | Wei Chen | | |
| BenQ Materials (Wuhu) Corp. | Director | BenQ Materials (L) Co. Representative:<br>Ting-yuan Chiang<br>Chih-ping Wang<br>Oliver Liu | - | 100% |
| | Supervisor | Sheng-hsiang Wang | | |
| | General manager | Ting-yuan Chiang | | |
| BenQ Materials Medical (Suzhou) Co. Ltd. | Director | BenQ Materials (L) Co. Representative:<br>Ching-chi Hsu<br>Ting-yuan Chiang<br>Charles Liu | - | 100% |
| | Supervisor | Sheng-hsiang Wang | | |
| | General manager | Ching-chi Hsu | | |
| Sigma Medical Corporation | Director | BenQ Material Corporation Representative:<br>Zhien-Chi (Z.C) Chen | 2,000 | 100% |
| Suzhou Sigma Medical Supply Co., Ltd. | Director | Sarah Lin<br>Chih-ping Wang<br>Charles Liu | - | 100% |
| | Supervisor | Sheng-hsiang Wang | | |
| | General manager | Sarah Lin | | |
| Cenefom Corporation Limited | Director | BenQ Material Corporation Representative:<br>Zhien-Chi (Z.C) Chen<br>Oliver Liu<br>Li-chuan Chiu<br>Chen, Wu | 11,646 | 51.34% |
| | Supervisor | Sheng-hsiang Wang | | |
| Genejet Biotech Co. Ltd | Director | BenQ Material Corporation Representative:<br>Sheng-hsiang Wang<br>Oliver Liu<br>Wei Chen | 3,767 | 70% |
| | Supervisor | Ching-Ning, Huang | | |

### (VI) Financial status and operating results of related companies

December 31, 2022 Unit: NT$ thousand

| Name of Affiliate | Capital | Total Assets | Total Liabilities | Net Worth | Sales Revenue | Operating Income | Profit or loss for the period (After tax) | Earnings Per Share (NT$) (After tax) |
|---|---|---|---|---|---|---|---|---|
| BenQ Materials (L) Co. | 1,141,340 | 2,862,863 | 462,560 | 2,400,303 | 2,299,363 | 667,747 | 664,230 | - |
| BenQ Materials (Suzhou) Corp. | 891,170 | 2,782,074 | 268,388 | 2,513,686 | 1,036,775 | 215,800 | 547,328 | - |
| Daxon Biomedical (Suzhou) Co., Ltd. | 48,463 | 50,195 | 23,637 | 26,558 | 211,459 | 99,472 | 24,560 | - |
| BenQ Materials (Wuhu) Corp. | 352,456 | 958,085 | 1,143,884 | (185,798) | 378,670 | 142,677 | 105,137 | - |
| BenQ Materials Medical (Suzhou) Co. Ltd | 66,086 | 520,536 | 474,185 | 46,351 | 769,058 | 208,652 | (8,013) | - |
| Sigma Medical Corporation | 20,000 | 141,061 | 34,068 | 106,993 | 319,182 | 71,536 | 297,280 | - |
| Suzhou Sigma Medical Supply Co., Ltd. | 22,187 | 1,560 | 468 | 1,093 | 0 | 0 | (623) | |
| Cenefom Corporation Limited | 226,860 | 354,671 | 28,207 | 326,464 | 86,785 | 17,033 | (11,506) | - |
| Genejet Biotech Co. Ltd | 53,809 | 61,318 | 9,149 | 52,168 | 19,019 | 9,046 | 297 | |

### (VII)Related companies consolidated financial statements：

**Statement of Declaration**

In 2022 (from January 1, 2022 to December 31, 2022), the Company should be included in the preparation of the consolidated financial statements of related enterprises in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" is the same as the company that should be included in the preparation of the consolidated financial statements of parent subsidiary companies in accordance with the International Financial Reporting Standards No. 10 approved by the Financial Supervision and Administration Commission, and the relevant information disclosed in the consolidated financial statements of related enterprises has been disclosed in the consolidated financial statements of formerly disclosed parent subsidiary companies, and the consolidated financial statements of related enterprises will not be prepared separately.

Sincerely,

Company Name: BenQ Material Corporation

Chairman: Zhien-Chi (Z.C) Chen

Date: February 23, 2023

**(VIII) Affiliated enterprise report: Not applicable**

## Other necessary supplement

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

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

**(III) Other necessary supplementary notes: None.**

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

Stock Code: 8215

# BENQ MATERIALS CORPORATION AND SUBSIDIARIES

## Consolidated Financial Statements
## With Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

**Address: No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333403, Taiwan (R.O.C.)**
**Tel: (03)374 8800**

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

# Statement of Declaration

The entities that are required to be included in the combined financial statements of BenQ Materials Corporation and subsidiaries as of and for the year ended December 31, 2022 under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the Consolidated Financial Statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission. 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.

Hereby certify

Company Name: BenQ Materials Corporation

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

Date: February 23, 2023

# Independent Auditor's Report

To: The Board of Directors of BenQ Materials Corporation,

**Opinions on the audit**

We have audited the Consolidated Balance Sheets of BenQ Materials Corporation and its subsidiaries (the BenQ Corporation) as of December 31, 2021 and 2020, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2021 and 2020.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of BenQ Materials Corporation and subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the annual periods ended December 31, 2022 and 2021 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

**Basis of opinions on the audit**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 Consolidated Financial Statements of BenQ Materials Corporation and its subsidiaries. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The accountant's judgment should communicate the key audit matters on the audit report as follows:

I. Inventory Valuation

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

Description of Key Audit Matters:

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

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

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

**Other Matters**

BenQ Materials Corporation has also compiled Individual Financial Statements for 2022 and 2021, and they have also received an unqualified audit opinion from our CPA for your reference.

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

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

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

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

**The Accountants' Responsibilities in Auditing the Consolidated Financial Statements**

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

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

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

understanding is not to provide any opinion on the effectiveness of the internal controls of BenQ Materials Corporation.

3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of BenQ Materials Corporation to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause BenQ Materials Corporation to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the Consolidated Financial Statements (including the related notes), and determined whether the Consolidated Financial Statements present related transactions and events fairly.
6. Acquired sufficient and appropriate audit evidence regarding financial information of entities within the Group in order to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion on BenQ Materials Corporation.

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

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

From the matters communicated with those charged with governance, we determined the key audit matters of the Consolidated Financial Statements of BenQ Materials Corporation of 2022. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

KPMG Taiwan

CPA:

Approved audit number : FSC (6) No. 0940100754
FSC (6) No. 0950103298

February 23, 2023

Notice to Readers

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

**BENQ MATERIALS CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2022 and 2021**

**Unit: NT$ thousand**

| | | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 4 (1) ) | $ 653,134 | 5 | 278,127 | 2 |
| 1110 | Financial assets at fair value through profit or loss - Current (Note 6 (2 ) | 17,316 | - | 5,908 | - |
| 1120 | Financial assets at fair value through other comprehensive income - current (Note 6 (3) ) | 54,549 | - | 55,490 | - |
| 1170 | Notes and accounts receivable, net (Note 6 (4), (22) ) | 2,156,403 | 16 | 2,252,030 | 18 |
| 1180 | Notes and accounts receivable - related parties net amount (Note 6 (4), (22) and 7) | 853,146 | 6 | 610,135 | 5 |
| 1200 | Other receivables (Note 6 (4) and (5)) | 141,119 | 1 | 184,842 | 2 |
| 1210 | Other receivables - related parties (Note 6 (5) and 7) | 10 | - | 20 | - |
| 1310 | Inventories, net (Note 6 (6)) | 2,719,984 | 20 | 2,807,868 | 23 |
| 1479 | Other current assets | 209,242 | 2 | 268,911 | 2 |
| 1476 | Other financial assets - current (Note 6 (1) and 8) | 52,052 | - | 87,084 | 1 |
| 1460 | Non-current assets held for sale (Note 6 (7)) | - | - | 163,909 | 1 |
| | **Total current assets** | 6,856,955 | 50 | 6,714,324 | 54 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 6(3) ) | 96,504 | 1 | 9,187 | - |
| 1550 | Investments accounted for using equity method (Note 6(8)) | 480,749 | 4 | 221,918 | 2 |
| 1600 | Property, plant, and equipment (Notes 6 (10) , 7, and 8) | 5,064,453 | 37 | 4,493,229 | 36 |
| 1755 | Right-of-use asset (Notes 6 (11) ) | 569,198 | 4 | 190,290 | 2 |
| 1760 | Net investment property (Note 6 (12) ) | 161,272 | 1 | 431,072 | 3 |
| 1780 | Intangible assets (Note 6 (9), (13) and 7) | 141,383 | 1 | 165,773 | 1 |
| 1840 | Deferred tax assets (Note 6 (19) ) | 262,820 | 2 | 183,535 | 1 |
| 1920 | Guarantee deposits paid | 26,268 | - | 28,974 | - |
| 1995 | Other non-current assets (Note 6 (18) ) | 44,966 | - | 71,626 | 1 |
| | **Total non-current assets** | 6,847,613 | 50 | 5,795,604 | 46 |
| | **Total assets** | **$ 13,704,568** | **100** | **12,509,928** | **100** |

| | | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (Note 6 (14) ) | $ 1,051,460 | 8 | 586,849 | 5 |
| 2120 | Financial Liabilities at Fair Value through Profit or Loss - Current (Note 6 (2) ) | 1,800 | - | 9,361 | - |
| 2170 | Accounts payable | 2,541,222 | 19 | 3,141,185 | 25 |
| 2180 | Accounts payable - related parties (Note 7) | 34,905 | - | 48,436 | - |
| 2200 | Other payables (Note 6 (23)) | 1,527,559 | 11 | 1,668,190 | 13 |
| 2220 | Other payables - related parties (Note 7) | 20,098 | - | 24,108 | - |
| 2320 | Long-term borrowings due within one year (Note 6 (15) and 8) | 181,486 | 1 | 1,666 | - |
| 2281 | Lease liabilities - current (Note 6 (16) ) | 7,787 | - | 7,871 | - |
| 2282 | Lease liabilities - related parties - current (Note 6 (16) and 7) | 91,746 | 1 | 91,779 | 1 |
| 2399 | Other current liabilities (Note 6 (22)) | 170,683 | 1 | 215,073 | 2 |
| | **Total current liabilities** | 5,628,746 | 41 | 5,794,518 | 46 |
| | **Non-current liabilities:** | | | | |
| 2540 | Long-term borrowings (Note 6 (15) and 8) | 1,084,002 | 8 | 1,305,028 | 11 |
| 2570 | Deferred tax liabilities (Note 6 (19) ) | 268,184 | 2 | 144,735 | 1 |
| 2581 | Lease liabilities - non-current (Note 6 (16) ) | 44,595 | - | 52,383 | - |
| 2582 | Lease liabilities - related parties - non-current (Note 6 (16) and 7) | 382,780 | 3 | - | - |
| 2600 | Other non-current liabilities (Note 6 (15), (18) ) | 45,616 | - | 56,661 | 1 |
| | **Total non-current liabilities** | 1,825,177 | 13 | 1,558,807 | 13 |
| | **Total liabilities** | 7,453,923 | 54 | 7,353,325 | 59 |
| | **Equity (Note 6 (9) and (20)):** | | | | |
| 3110 | Common stock | 3,206,745 | 23 | 3,206,745 | 26 |
| 3200 | Capital reserve | 192,352 | 2 | 5,808 | - |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 414,305 | 3 | 317,262 | 2 |
| 3320 | Special reserve | 103,309 | 1 | 83,534 | 1 |
| 3350 | Undistributed earnings | 2,200,624 | 16 | 1,533,290 | 12 |
| 3400 | Other equity | (68,835) | (1) | (103,309) | (1) |
| | **Total equity attributable to the owners of parent company** | 6,048,500 | 44 | 5,043,330 | 40 |
| 36XX | Non-controlling interests (Note 6 (9), (20) ) | 202,145 | 2 | 113,273 | 1 |
| | **Total equity** | 6,250,645 | 46 | 5,156,603 | 41 |
| | **Total liabilities and equity** | **$ 13,704,568** | **100** | **12,509,928** | **100** |

**(See the attached notes to Consolidated Financial Statements)**

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

## BENQ MATERIALS CORPORATION AND SUBSIDIARIES
### Consolidated Statements of Comprehensive Income
### From January 1 to December 31, 2022 and 2021
### Unit: NT$ thousand

| | | 2022 | | | 2021 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| 4000 | **Net sales revenue (Notes 6 (17), (22), 7, and 14)** | $ | 15,540,465 | 100 | 16,481,686 | 100 |
| 5000 | **Operating cost (note 6 (6), (10), (11), (12), (13), (17), (18), (23), 7 and 12)** | | (12,462,094) | (80) | (13,425,149) | (81) |
| | **Gross operating profit** | | 3,078,371 | 20 | 3,056,537 | 19 |
| | **Operating expenses (note 6 (4), (10), (11), (13), (16), (18), (23), 7 and 12):** | | | | | |
| 6100 | Selling expenses | | (1,173,756) | (8) | (1,050,132) | (6) |
| 6200 | General and administrative expenses | | (321,091) | (2) | (269,767) | (2) |
| 6300 | Research and development expenses | | (886,717) | (6) | (759,320) | (5) |
| | | | (2,381,564) | (16) | (2,079,219) | (13) |
| | **Net Operating Income** | | 696,807 | 4 | 977,318 | 6 |
| | **Non-operating income and expenses (note 6 (7), (8), (9), (15), (16), (24) and 7)** | | | | | |
| 7100 | Interest revenue | | 3,615 | - | 1,170 | - |
| 7010 | Other revenue | | 21,552 | - | 19,298 | - |
| 7020 | Other gains and losses | | 974,672 | 6 | 180,995 | 1 |
| 7050 | Financial costs | | (51,570) | - | (42,068) | - |
| 7370 | Shares of profits of associates accounted for using the equity method | | 110,101 | 1 | 71,259 | - |
| | | | 1,058,370 | 7 | 230,654 | 1 |
| | **Income before income tax** | | 1,755,177 | 11 | 1,207,972 | 7 |
| 7950 | **Less: Income tax expense (Note 6 (19) )** | | (470,436) | (3) | (238,445) | (1) |
| | **Net profit** | | 1,284,741 | 8 | 969,527 | 6 |
| | **Other comprehensive income (loss):** | | | | | |
| 8310 | **Items that will not be reclassified to profit or loss (Notes 6 (18), (20))** | | | | | |
| 8311 | Remeasurement of defined benefit plans | | (5,278) | - | (6,932) | - |
| 8316 | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | | (5,895) | - | (3,453) | - |
| 8349 | Income tax related to items that will not be reclassified | | - | - | - | - |
| | | | (11,173) | - | (10,385) | - |
| 8360 | **Items that may be reclassified subsequently to profit or loss (Notes 6 (8), (20) )** | | | | | |
| 8361 | Exchange differences arising on translation of financial statements of foreign operations | | 24,476 | - | 8,741 | - |
| 8370 | Share of other comprehensive income of associates accounted for using the equity method | | 21,171 | - | (19,265) | - |
| 8399 | Income tax related to items that may be reclassified | | - | - | - | - |
| | | | 45,647 | - | (10,524) | - |
| | **Other comprehensive income (loss)** | | 34,474 | - | (20,909) | - |
| 8500 | **Total comprehensive income (loss) for the year** | **$** | **1,319,215** | **8** | **948,618** | **6** |
| | **Net profit for the period attributable to:** | | | | | |
| 8610 | Owners of the parent company | $ | 1,295,670 | 8 | 971,555 | 6 |
| 8620 | Non-controlling interests | | (10,929) | - | (2,028) | - |
| | | **$** | **1,284,741** | **8** | **969,527** | **6** |
| | **Total comprehensive income attributable to:** | | | | | |
| 8710 | Owners of the parent company | $ | 1,330,144 | 8 | 950,646 | 6 |
| 8720 | Non-controlling interests | | (10,929) | - | (2,028) | - |
| | | **$** | **1,319,215** | **8** | **948,618** | **6** |
| | **Earnings per share (Unit: NT$) (Note 6 (20))** | | | | | |
| 9750 | **Basic earnings per share** | | **$ 4.04** | | **3.03** | |
| 9850 | **Diluted earnings per share** | | **$ 3.97** | | **2.99** | |

**(See the attached notes to Consolidated Financial Statements)**

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

**BENQ MATERIALS CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Changes in Equity**
**From January 1 to December 31, 2022 and 2021**
**Unit: NT$ thousand**

| | Profit and/or loss attributable to the owners of parent company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | | Other equity items | | | | | | |
| | Common stock | Capital reserve | Legal reserve | Special reserve | Undistributed earnings | Total | Exchange differences arising on translation of financial statements of foreign operations | Unrealized profits and losses of financial assets at fair value through other comprehensive income | Remeasurement of defined benefit plans | Total | Total equity attributable to the owners of parent company | Non-controlling interests | Total equity |
| **Balance as of January 1, 2021** | $ 3,206,745 | 11,427 | 277,665 | 33,896 | 876,576 | 1,188,137 | (40,946) | (20,591) | (21,997) | (83,534) | 4,322,775 | - | 4,322,775 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | |
| Account for legal reserve | - | - | 39,597 | - | (39,597) | - | - | - | - | - | - | - | - |
| Account for special reserve | - | - | - | 49,638 | (49,638) | - | - | - | - | - | - | - | - |
| Cash dividend of common stock | - | - | - | - | (224,472) | (224,472) | - | - | - | - | (224,472) | - | (224,472) |
| Change in capital surplus from investments in associates under equity method | - | (5,619) | - | - | - | - | - | - | - | - | (5,619) | - | (5,619) |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 115,301 | 115,301 |
| Disposal of equity instruments measured at fair value through other comprehensive gains and losses: | - | - | - | - | (1,134) | (1,134) | - | 1,134 | - | 1,134 | - | - | - |
| Net profit | - | - | - | - | 971,555 | 971,555 | - | - | - | - | 971,555 | (2,028) | 969,527 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (10,524) | (3,453) | (6,932) | (20,909) | (20,909) | - | (20,909) |
| Total comprehensive income (loss) for the year | - | - | - | - | 971,555 | 971,555 | (10,524) | (3,453) | (6,932) | (20,909) | 950,646 | (2,028) | 948,618 |
| **Balance as of December 31, 2021** | 3,206,745 | 5,808 | 317,262 | 83,534 | 1,533,290 | 1,934,086 | (51,470) | (22,910) | (28,929) | (103,309) | 5,043,330 | 113,273 | 5,156,603 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | |
| Account for legal reserve | - | - | 97,043 | - | (97,043) | - | - | - | - | - | - | - | - |
| Account for special reserve | - | - | - | 19,775 | (19,775) | - | - | - | - | - | - | - | - |
| Cash dividend of common share | - | - | - | - | (481,012) | (481,012) | - | - | - | - | (481,012) | - | (481,012) |
| Change in capital surplus from investments in associates under equity method | - | 186,544 | - | - | - | - | - | - | - | - | 186,544 | - | 186,544 |
| Acquisition of partial equity of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (5,750) | (5,750) |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 75,045 | 75,045 |
| Difference between prices of shares acquired from subsidiaries and book value | - | - | - | - | (30,506) | (30,506) | - | - | - | - | (30,506) | 30,506 | - |
| Net profit | - | - | - | - | 1,295,670 | 1,295,670 | - | - | - | - | 1,295,670 | (10,929) | 1,284,741 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 45,647 | (5,895) | (5,278) | 34,474 | 34,474 | - | 34,474 |
| Total comprehensive income (loss) for the year | - | - | - | - | 1,295,670 | 1,295,670 | 45,647 | (5,895) | (5,278) | 34,474 | 1,330,144 | (10,929) | 1,319,215 |
| **Balance as of December 31, 2022** | **$ 3,206,745** | **192,352** | **414,305** | **103,309** | **2,200,624** | **2,718,238** | **(5,823)** | **(28,805)** | **(34,207)** | **(68,835)** | **6,048,500** | **202,145** | **6,250,645** |

**(See the attached notes to Consolidated Financial Statements)**

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

**BENQ MATERIALS CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Cash Flows**
**From January 1 to December 31, 2022 and 2021**
**Unit: NT$ thousand**

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Income before income tax for the year** | $ 1,755,177 | 1,207,972 |
| **Adjusted items:** | | |
| Depreciation expenses | 614,525 | 569,065 |
| Amortization expenses | 56,643 | 45,816 |
| Expected credit losses (reverse benefits) | 14,128 | (645) |
| Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss | (18,969) | 15,873 |
| Interest expenses | 51,570 | 42,068 |
| Interest revenue | (3,615) | (1,170) |
| Dividend revenue | (1,680) | (1,344) |
| Shares of profits of associates accounted for using the equity method | (110,101) | (71,259) |
| Loss (profits) from disposal of property, plant, and equipment | 12,513 | (1,414) |
| Disposal of non-current assets held for sale profits | (893,148) | - |
| Disposal of investments profits | (64,099) | (7,814) |
| Gains on bargain purchase | - | (99) |
| Amortization of deferred expenses transferred to expenses | 152,024 | 139,660 |
| Amortization of syndication fee costs | 3,773 | 1,900 |
| Gains on lease modifications | - | (2) |
| Total adjustments to reconcile profit (loss) | (186,436) | 730,635 |
| Changes in operating assets/liabilities: | | |
| Net changes in operating assets : | | |
| (Increase) decrease in notes and account receivable | 83,518 | (756,508) |
| (Increase) decrease in account receivable - related parties | (198,894) | 286,336 |
| (Increase) decrease in other receivable | (2,413) | 1,095 |
| Decreases in other receivables - related parties | 10 | 35 |
| (Increase) decrease in inventories | 87,884 | (392,675) |
| Increase in other current assets | (53,582) | (39,061) |
| Increase in other non-current assets | (19) | (604) |
| Total net changes in operating assets | (83,496) | (901,382) |
| Net changes in operating liabilities: | | |
| Decrease in accounts payable | (599,963) | (285,318) |
| Increase (decrease) in account payables - related parties | (13,531) | 18,670 |
| Increase (decrease) in other payables | (11,571) | 253,939 |
| Increase (decrease) in other payables - related parties | (4,010) | 7,890 |
| Increase in other current liabilities | 41,580 | 42,505 |
| Decrease in net defined benefit liability | (1,966) | (1,842) |
| Total net changes in related operating liabilities | (589,461) | 35,844 |
| Total net changes in operating assets and liabilities | (672,957) | (865,538) |
| Total adjustments | (859,393) | (134,903) |
| Cash inflow generated from operations | 895,784 | 1,073,069 |
| Interests received | 3,615 | 1,170 |
| Interests paid | (49,923) | (41,841) |
| Income tax paid | (460,212) | (19,449) |
| **Net cash inflow from operating activities** | 389,264 | 1,012,949 |

**(Continued)**

**(See the attached notes to Consolidated Financial Statements)**

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

## BENQ MATERIALS CORPORATION AND SUBSIDIARIES
## Consolidated Statements of Cash Flows (continued)
## From January 1 to December 31, 2022 and 2021
## Unit: NT$ thousand

| | | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from investing activities:** | | | |
| Acquisition of Financial assets at fair value through other comprehensive income | $ | (92,271) | (9,187) |
| Acquisition of investment using the equity method | | - | (4,480) |
| Disposal of investment using the equity method | | 83,749 | - |
| Return of capital from investee companies accounted for using the equity method due to liquidation | | - | 2,372 |
| Net cash inflows from merger of subsidiaries | | - | 32,926 |
| Disposal of non-current assets held for sale profits | | 1,271,725 | - |
| Acquisition of property, plant, and equipment | | (1,187,721) | (600,176) |
| Disposal of property, plant, and equipment | | 615 | 2,257 |
| (Increases) decrease in guarantee deposits paid | | 2,706 | (14,106) |
| Acquisition of intangible assets | | (29,008) | (44,260) |
| (Increase) decrease in other financial assets | | 35,032 | (69,657) |
| Advance receipts on disposal of property, plant, and equipment | | - | 84,000 |
| Increase in other non-current assets | | (43,365) | (37,619) |
| Dividends received | | 41,015 | 12,161 |
| **Net cash inflow (outflow) from investing activities** | | 82,477 | (645,769) |
| **Cash flows from financing activities:** | | | |
| Increase in short-term borrowings | | 464,611 | 420,093 |
| Proceeds from long-term borrowings | | 360,350 | 3,096,690 |
| Repayments of long-term borrowings | | (403,364) | (3,423,450) |
| Increase (decrease) in guarantee deposits paid | | (12,989) | 4,725 |
| Repayments of lease principal | | (99,874) | (86,773) |
| Purchase of subsidiaries' equity from non-controlling interests | | (5,750) | - |
| Capital increase of subsidiary by non-controlling interest shareholders | | 75,045 | - |
| Issuance of cash dividends | | (481,012) | (224,472) |
| **Net cash outflows from financing activities** | | (102,983) | (213,187) |
| **Effect of changes in exchange rates** | | 6,249 | (24,109) |
| **Increase in cash and cash equivalents for the year** | | 375,007 | 129,884 |
| **Cash and cash equivalents at beginning of the year** | | 278,127 | 148,243 |
| **Cash and cash equivalents at end of the year** | **$** | **653,134** | **278,127** |

**(See the attached notes to Consolidated Financial Statements)**

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

## BENQ MATERIALS CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements
## 2022 & 2021
**(Unless otherwise stated, the unit for all amounts is in NT$ thousands.)**

### 1. Company History

BenQ Materials Corporation (hereinafter referred to as "the Company," formerly known as Daxon Technology Inc. and had renamed in June 2010) was established on July 16, 1998, with the approval of the Ministry of Economic Affairs. The registered address is No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333403, Taiwan (R.O.C.). The main business items of the Company and its subsidiaries (hereinafter referred to as "the Combined Company" ) are manufacturing and sales of film sheet products and medical equipment.

### 2. Date and Procedures of Authorization of Financial Statements

The Consolidated Financial Statements were published upon approval by the Board of Directors on February 24, 2022.

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

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

The Combined Company has been applied to the application of the newly recognized IFRSs specified above will not have a material impact on the Consolidated Financial Statements since January 1, 2022.

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

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

The Combined Company evaluates that the application of the following newly endorsed IFRSs amended since January 1, 2023, will not have a material impact on the Consolidated Financial Statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

c. Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction” Newly issued and amended standards and interpretations yet to be endorsed by the FSC

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

| New or amended standards | Major amendments | The effective date of issuance by IASB |
|---|---|---|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" | The current IAS 1 stipulates that liabilities for which an enterprise has not unconditionally deferred the repayment period to at least 12 months after the reporting period shall be classified as current. The amendment to deletion of the right should be unconditional, stipulating that the right must exist on the end date of the reporting period and must be material.<br>The amendments clarify how companies should classify liabilities repaid by issuing their own equity instruments (such as convertible bonds). | January 1, 2024 |

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 17 "Insurance Contract"
- Amendments to IAS 1 “Non-Current Liabilities with Covenants”
- Amendments to IFRS 16 “Provisions for Sale and Leaseback Transaction”

## 4. Summary of Material Accounting Policies

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

a. Statement of compliance

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

b. Basis of preparation

1) Basis of preparation

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

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

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

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

2) Functional Currency and Presentation Currency

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

c. Basis of consolidation

1) Principle of preparation of the Consolidated Financial Statements

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

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

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

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

2) List of subsidiaries in the Consolidated Financial Statements

| Investment company name | Subsidiary name | Business type | Proportion of Ownership (%) 2022.12.31 | 2021.12.31 | Explanation |
|---|---|---|---|---|---|
| The Company | BenQ Materials (L) Co. (BMLB) | Holding company | 100.00 | 100.00 | - |
| The Company | Sigma Medical Supplies Corp.(Sigma-Medical) | Sales of medical equipment | 100.00 | 100.00 | - |
| The Company | Genejet Biotech Co., Ltd. (Genejet) | Medical materials and equipment development, manufacturing and sale | 70.00 | 70.00 | (Note 1) |
| The Company | Cenefom Corp. (Cenefom) | Medical materials and equipment development, manufacturing and sale | 51.34 | 34.83 | (Note 2) |
| BMLB | BenQ Materials (Suzhou) Corp. (BMS) | Processing of film sheet products | 100.00 | 100.00 | - |
| BMLB | Daxon Biomedical (Suzhou) Co., Ltd. (DTB) | Provision of services and sales of related products such as medical equipment | 100.00 | 100.00 | - |
| BMLB | BenQ Materials (Wuhu) Corp. (BMW) | Manufacture and sales of film sheet and cosmetic-related products | 100.00 | 100.00 | - |
| BMLB | BenQ Materials Medical (Suzhou) Co., Ltd.(BMM) | Medical materials and equipment manufacturing and sale | 100.00 | 100.00 | - |
| Sigma-Medical | Suzhou Sigma-Medical Supply Co., Ltd. (Suzhou Sigma-Medical) | Sales of medical equipment | 100.00 | 100.00 | - |

Note 1. On October 28, 2021, the Combined Company acquired control of the company and it became a subsidiary. Therefore, it was consolidated into the consolidated financial statements from that date.

Note 2. Formerly as an affiliated enterprise of the Combined Company, on October 25, 2021, the Combined Company acquired control of the company and it became a subsidiary. Therefore, it was consolidated into the consolidated financial statements from that date.

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

d. Foreign Currency

1) Foreign currency transactions

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

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

2) Foreign operating agency

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

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

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

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

The Company shall classify an asset as current when:

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

2) Assets are held primarily for trading purposes;

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

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

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

1) It is expected to be settled in the normal operating cycle;

2) Liabilities held primarily for trading purposes;

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

4) Liabilities that do not have the right to unconditionally defer the repayment period to at least twelve months after the reporting period. The liabilities provisions may be settled by issuing equity instruments at the option of the counterparty, and will not impact its classification.

f. Cash and Cash Equivalents

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

g. Financial Instruments

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

1) Financial assets

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

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

a) Financial assets measured at amortized cost

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

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

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

b) Financial assets at fair value through other comprehensive income

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal in circulation.

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

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

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

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

c) Financial assets at fair value through profit or loss

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

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

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

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

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

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

e) Impairment of financial assets

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

The loss allowance of the following financial assets is measured based on the expected credit losses amount in 12 months, and the remaining are measured based on the lifetime expected credit loss amount:

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

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

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

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

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

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

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

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

When the Combined Company fails to carry out a reasonable expectation of recovery of financial assets in part or whole, the total carrying amount of the financial assets directly decreases. The Combined Company analyzes the timing and amount of the write-off individually on the basis of whether it can reasonably be expected to be recovered. The Combined 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 procedures for the Combined Company to recover the overdue amount.

f) Derecognition of financial assets

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

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

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

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

b) Financial liabilities

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

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

c) Derecognition of financial liabilities

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

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

d) Offsetting of financial assets and financial liabilities

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

3) Derivative financial instruments

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

h. Inventory

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

i. Non-current assets held for sale

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

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

j. Investment in the associates

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

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

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

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

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

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

k. Investment properties

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

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

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

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

l. Property, plant and equipment

1) Recognition and measurement

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

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

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

2) Subsequent costs

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

3) Depreciation

The depreciation is calculated by capital cost less scrap value and is recognized in profit or loss based on the estimated service years of each component using the straight-line method. The land does not need to be depreciated. The rest of the estimated service life is: Machinery and equipment, 3-15 years; other equipment, 2-15 years; and houses and buildings are depreciated based on the estimated service life of their major components: main buildings, 20-40 years; mechanical and electrical engineering and another engineering, 5-20 years.

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

4) Reclassification to investment real estate

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

m. Leases

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

1) Lessee

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

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

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

The lease payments comprise as follows:

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

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

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

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

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

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

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

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

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

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

2) Lessor

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

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

n. Intangible assets

1) Goodwill

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

2) Other intangible assets

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

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

o. Impairments of non-financial assets

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

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

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

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

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

p. Liability reserve

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

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

q. Revenue recognition

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

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

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

r. Government subsidies and government assistance

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

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

s. Employee benefits

1) Defined contribution plans

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

2) Defined benefit plans

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

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

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

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

3) Short-term employee benefits

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

t. Income tax

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

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

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

1) Originally recognized asset or liability not falling to the transaction of corporate consolidation, without influencing accounting profit and levy duty gain (loss) at the transaction.

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

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

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

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

1) The entity has the legal right to settle tax assets and liabilities on a net basis; and

2) The amounts of deferred tax assets and liabilities are:

   a) Levied by the same taxing authority; or

   b) Levied by different entities that intend to realize the asset and settle the liability at the same time.

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

u. Business mergers

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

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

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

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

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

v. Earnings per share

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

w. Segment Information

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

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

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

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

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

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

The Combined Company holds 14.82% of the voting shares of Visco Vision Inc. and is the single largest shareholder. Although the remaining 85.18% of Visco's shares are not concentrated in specific shareholders, The Combined Company was still unable to obtain more than half of the board seats of Visco, and it did not obtain more than half of the voting rights of shareholders attending the shareholders meeting. Instead, it only obtained one Board of Directors and participated in decision-making. Therefore, it was determined that the Combined Company had no control over Visco and only had significant influence is evaluated using the equity method.

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

b. Inventory Valuation

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

## 6. Descriptions of Material Accounting Items

a. Cash and Cash Equivalents

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Working capital | $ 175 | 224 |
| Demand deposit and check deposit | 452,959 | 252,265 |
| Time deposits with original maturity within three months | 200,000 | 25,638 |
| | $ 653,134 | 278,127 |

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Mandatory financial assets measured at fair value through profit and loss - Current: | | |
| Foreign exchange forward contracts | $ 17,316 | 1,093 |
| Exchange contracts | - | 4,815 |
| | $ 17,316 | 5,908 |

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Financial liabilities held for transaction - current | | |
| Foreign exchange forward contracts | $ - | (9,361) |
| Exchange contracts | (1,800) | - |
| | **$ (1,800)** | **(9,361)** |

Fair value remeasurement was recognized in profit or loss. Refer to Note 6 (24) for details.

1) Derivative financial instruments

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

a) Foreign exchange forward contracts

**2022.12.31**

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

**2021.12.31**

| Contract amount (NT$ thousand) | Type of currency | Due Date |
|---|---|---|
| USD**$ 6,000** | Buy RMB Call/USD Put | 2022.01.28 |
| USD$ **33,000** | Buy JPY Call/USD Put | 2022.01.24~2022.02.24 |
| USD$ **21,500** | Buy NTD Call/USD Put | 2022.01.04~2022.01.27 |

b) Exchange contracts

**2022.12.31**

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

**2021.12.31**

| Contract amount (NT$ thousand) | Type of currency | Due Date |
|---|---|---|
| USD**$ 48,000** | Buy NTD Call/USD Put | 2022.01.28 |

c. Financial assets at fair value through other comprehensive income

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Equity instruments measured at fair value through other comprehensive gains and losses: | | |
| Stocks listed in the emerging stock market in Taiwan | $ 54,549 | 55,490 |
| Unlisted stocks | 96,504 | 9,187 |
| | $ 151,053 | 64,677 |
| Current | $ 54,549 | 55,490 |
| Non-current | 96,504 | 9,187 |
| | $ 151,053 | 64,677 |

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

In August 2021, the Combined Company acquired an additional 8.97% equity in Coatmed Incorporation (hereinafter referred to as "Coatmed") by investing NT$4,480 thousand in cash, which increased the Combined Company's equity in Coatmed from 11.03% to 20%, and became a director of the company with the ability to participate in decision making. Therefore, the financial assets measured at fair value through other comprehensive income were reclassified as investments accounted for using the equity method, as described in Note 6 (8).

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

The Combined Company disposed of a portion of its equity instruments measured at fair value through other comprehensive income in 2021 with an accumulated loss on disposal of NT$1,134 thousand, and has transferred the aforementioned accumulated loss on disposal from other equity to retained earnings.

d. Notes and accounts receivable

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Notes receivable | $ 13,871 | 31,683 |
| Accounts receivable | 2,176,243 | 2,239,663 |
| Deduction: Allowance for loss | (33,711) | (19,316) |
| | 2,156,403 | 2,252,030 |
| Account Receivables - Related Parties | 853,146 | 610,135 |
| | $ 3,009,549 | 2,862,165 |

1) The Combined Company adopts a simplified approach to estimate expected credit losses for all note and account receivables (including related parties), that is, the expected credit losses during the lifetime are measured, and forward-looking information has been incorporated. The expected credit loss analysis of note receivables and account receivables (including related-parties) of the Combined Company as of December 31, 2022 and 2021 was as follows:

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

| | 2021.12.31 | | |
|---|---|---|---|
| | Book amount of account receivables and bills | Weighted average loss | Loss allowance for lifetime expected credit losses |
| Not pass due | $ 2,861,641 | 0.0045% | 128 |
| Pass due 1~30 days | 654 | 0.3058% | 2 |
| Past due more than 91 days | 19,186 | 100% | 19,186 |
| | $ 2,881,481 | | 19,316 |

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

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | $ 19,316 | 23,480 |
| Effect of first-time incorporation of subsidiaries | - | 10 |
| Impairment loss (gain on reversal of impairment loss) | 14,128 | (645) |
| Amounts written off as uncollectible for the year | - | (3,644) |
| Foreign currency conversion gains and losses | 267 | 115 |
| Balance at end of year | **$ 33,711** | **19,316** |

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

**2022.12.31**

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

**2021.12.31**

| Sale object | Sale amount | Amount still available in advance | Advance amount | Shown as other receivables (Note 6 (5) ) | Interest rate range | Other important matters |
|---|---|---|---|---|---|---|
| Taipei Fubon Bank | $ 210,752 | - | 186,970 | 23,782 | 0.70%~0.82% | N/A |
| E.Sun Bank | 168,587 | - | 151,728 | 16,859 | 0.75%~0.80% | N/A |
| KGI Bank | 116,177 | - | 104,559 | 11,618 | 1.00% | Guaranteed promissory note 830,400 |
| | **$ 495,516** | **-** | **443,257** | **52,259** | | **830,400** |

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

e. Other receivables

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Other receivables - account receivables sale minus advance price balance (Note 6 (4) and 7) | $ 137,650 | 183,786 |
| Other receivables - Others | 3,469 | 1,056 |
| Other Receivables - Related Parties | 10 | 20 |
| | 141,129 | 184,862 |
| Deduction: Allowance for loss | - | - |
| | **$ 141,129** | **184,862** |

The Combined Company's other receivables as of December 31, 2022 and 2021 have no expected credit losses after assessment.

f. Inventory

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Raw Material | $ 1,090,770 | 1,251,773 |
| Work in progress | 786,853 | 856,421 |
| Finished goods | 842,361 | 699,674 |
| | **$ 2,719,984** | **2,807,868** |

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

| | 2022 | 2021 |
|---|---|---|
| Inventory cost has been sold | $ 12,238,788 | 13,449,951 |
| Reversal of allowance for inventory market price decline | 198,238 | (62,429) |
| | **$ 12,437,026** | **13,387,522** |

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

g. Non-current assets held for sale

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Land and buildings held for sale | **$ -** | **163,909** |

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

2) In July, 2021, the board of directors of BMS decided to sell parts of the real estate and assets-related (the land use rights, buildings, and machinery equipment on the book of first record and deferred expenses), located in the Industrial Park of Suzhou, Suzhou City, China. These assets on the carrying value was NT$301,672. BMS had signed the bargains with the buyer in March, 2022, and had been sold in the season third of the year, net price on the disposal of the assets was NT$1,079,231 thousand, the derivative gains on the disposal were NT$780,563 thousand ( the relevant to the land value increment tax and the income tax deduction), was listed under “The Other Profits and Loss”, as of December 31, 2022, the relevant amounts had been received.

h. Investments accounted for using the equity method

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Associates | $ 480,749 | 221,918 |

1) Affiliated companies:

| | | | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|---|---|
| **Name of associates** | **Nature of Relationship with the Company** | **Principal business place/ country of incorporation** | **Voting rights%** | **Book amount** | **Voting rights%** | **Book amount** |
| Visco Vision Inc. (Visco Vision) | Its main business is to manufacturer and sell disposable contact lenses, and it is a strategic partner of the Company. | Taiwan | 14.82% | 471,428 | 17.97% | 213,301 |
| MLK Bioscience Co., Ltd. (MLK) | Its main business is to research, develop and sell medical devices, and it is a strategic partner of the Company. | Taiwan | 20.00% | 4,347 | 20.00% | 4,546 |
| Coatmed Incorporation (Coatmed) | Its main business is to sell medical devices, and it is a strategic partner of the Company. | Taiwan | 9.98% | 4,974 | 20.00% | 4,071 |
| | | | | $ 480,749 | | 221,918 |

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

Coatmed Incorporation (hereinafter referred to as "Coatmed") made a cash capital increase in October 2022, and the Combined Company did not participate in the capital increase, which reduced the Combined company's interest in Coatmed to 9.98%.

However, the Combined company still serves as a director of the company and participates in decision-making, so it has not lost significant loss of influence.

In August 2021, the Combined Company invested NT$4,480 thousand in cash in Coatmed, which increased the Combined Company's equity in Coatmed from 11.03% to 20%, and became a director of the company with the ability to participate in decision-making, thus gaining significant influence, which it was evaluated using the equity method.

On January 28, 2021, the shareholders' meeting resolved the dissolution of Taikebio Co., Ltd. As a result, the Combined Company lost its significant influence on the company and incurred a loss of NT$6,556 thousand on disposal of investment.

The share of net profit of the Combined Company for 2022 and 2021 was $110,101 thousand and $71,259 thousand respectively.

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Visco Vision | $ 2,655,458 | - |

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

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

a) Aggregated financial information of Visco Vision

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Current assets | $ 2,651,705 | 998,933 |
| Non-current assets | 2,642,290 | 2,130,462 |
| Current liabilities | (956,308) | (1,039,710) |
| Non-current liabilities | (1,228,947) | (976,368) |
| Net assets | $ 3,108,740 | 1,113,317 |
| Net assets attributable to non-controlling interests | $ 24,528 | - |
| Net assets attributable to owners of the investee company | $ 3,084,212 | 1,113,317 |

| | 2022 | 2021 |
|---|---|---|
| Operating revenue | $ 2,777,524 | 1,964,499 |
| Net profit for the current period | $ 614,009 | 443,632 |
| Other comprehensive income (loss) | 96,671 | (106,011) |
| Total comprehensive income | $ 710,680 | 337,621 |
| Total comprehensive profit or loss attributable to non-controlling interests | $ (3,422) | - |
| Total comprehensive profit or loss attributable to the owners of the investee company | $ 714,102 | 337,621 |

| | | 2022 | 2021 |
|---|---|---|---|
| Share in net assets of related enterprise of the Combined Company at the beginning of the period | $ | 213,301 | 168,232 |
| Net profit attributable to the Combined Company in the current period | | 111,231 | 75,152 |
| Other comprehensive income attributable to the Combined Company in the current period | | 16,392 | (19,266) |
| capital reserve attributable to the Combined Company in the current period | | 184,705 | - |
| Dividends received from associates in the current period | | (39,335) | (10,817) |
| Disposal of associates in the current period | | (14,866) | - |
| book value of the Combined Company at the end of the period on equity of related enterprises | **$** | **471,428** | **213,301** |

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

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| The carrying amount of equity of individually immaterial associates at end of period | **$** | **9,321** | **8,617** |

| | | 2022 | 2021 |
|---|---|---|---|
| Share attributable to the Combined Company: | | | |
| Net loss of the period | $ | (1,130) | (3,893) |
| Other comprehensive income (loss) | | (5) | 1 |
| Total comprehensive income | **$** | **(1,135)** | **(3,892)** |

i. Business mergers

1) Acquisition of a subsidiary－ Cenefom Corp.

a) Acquisition of transfer consideration from subsidiaries

On October 25, 2021 (the acquisition date), the Combined Company acquired 3,323 thousand shares of common stock of Cenefom Corp. (hereinafter referred to as “Cenefom ”) for a total amount of $63,135 thousand by participating in a cash capital increase, which increased the Combined Company's shareholding in Cenefom from 12.12% to 34.83% and obtained more than half of the seats of directors, thus gaining control over the company. Therefore, from the acquisition date onwards, the company was included in the Combined Company. Cenefom is mainly engaged in the research and development, production and sales of PVA foam medical related consumables. The Combined Company acquired Cenefom primarily to acquire the existing customer base and related technologies and applications.

b) Acquisition of identifiable net assets

The fair value of the identifiable assets acquired and liabilities assumed by Cenefom on October 25, 2021 (acquisition date) are as follows:

| | | | | |
|---|---|---|---|---|
| Transfer consideration: | | | | |
| Cash | | | $ | 63,135 |
| Fair value of the original interest in the acquiree | | | | 20,805 |
| Non-controlling interests (measured as identifiable net assets in proportion to non-controlling interests) | | | | 96,694 |
| Fair value of identifiable assets acquired and liabilities assumed: | | | | |
| Cash and Cash Equivalents | $ | 92,509 | | |
| Notes and accounts receivable, net | | 4,940 | | |
| Inventories, net | | 8,249 | | |
| Other current assets | | 1,317 | | |
| Other financial assets – current | | 1,591 | | |
| Property, plant and equipment | | 18,583 | | |
| Intangible assets - patented technology | | 54,260 | | |
| Intangible assets - customer relationship | | 30,012 | | |
| Intangible assets – others | | 134 | | |
| Other non-current assets | | 1,640 | | |
| Guarantee deposits paid | | 790 | | |
| Short-term borrowings | | (16,756) | | |
| Long-term loan due within one year | | (5,579) | | |
| Notes and accounts payables | | (4,165) | | |
| Other payables | | (5,477) | | |
| Other current liabilities | | (8,004) | | |
| Long-term borrowings | | (11,235) | | |
| Deferred tax liabilities | | (14,437) | | 148,372 |
| Goodwill | | | **$** | **32,262** |

The Combined Company recognized a gain on disposal of NT$14,370 thousand at the acquisition date for remeasurement of the fair value of the 12.12% equity held by the Combined Company prior to the acquisition date, which was recorded under "other gains and losses".

c) Intangible assets

The above patented technology and customer relationships are amortized on a straight-line basis over 10 and 11 years, respectively, based on the expected future economic benefits.

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

d) Temporary information on the operating results

From the date of acquisition to December 31, 2021, the operating results of Cenefom were consolidated into the consolidated statement of comprehensive income of the Combined Company, contributing operating income and net loss after tax of NT$9,836 thousand and NT$2,652 thousand, respectively. If this acquisition date occurs on January 1, 2021, the presumed operating income and net income after tax of the Combined Company for 2021 will be NT$16,520,964 thousand and $960,586 thousand, respectively.

2) Acquisition of a subsidiary－ Genejet Biotech Co., Ltd.

a) Acquisition of transfer consideration from subsidiaries

On October 28, 2021 (the acquisition date), the Combined Company acquired 3,323 thousand shares of common stock of Genejet Biotech Co., Ltd. (hereinafter referred to as "Genejet") for a total amount of NT$43,316 thousand by participating in a cash capital increase, which the Combined Company has 70% of the shareholding in Genejet, thus gaining control over the company. Therefore, from the acquisition date onwards, the company was included in the Combined Company. Genejet is mainly engaged in the research and development, production and sales of tissue adhesives. The Combined Company acquired Genejet primarily to acquire the access to existing customer base and expanding sales channels in Taiwan and Asia.

b) Acquisition of identifiable net assets

The fair value of the identifiable assets acquired and liabilities assumed by Genejet on October 28, 2021 (acquisition date) are as follows:

| Items | Amount |
|---|---|
| Cash and Cash Equivalents | $ 46,868 |
| Notes and accounts receivable, net | 314 |
| Other receivables | 72 |
| Inventories, net | 2,055 |
| Other current assets | 1,059 |
| Property, plant and equipment | 1,058 |
| Right-of-use assets | 4,096 |
| Intangible assets - patented technology | 9,496 |
| Intangible assets - customer relationship | 4,913 |
| Intangible assets – others | 274 |
| Other non-current assets | 2,359 |
| Guarantee deposits paid | 148 |
| Notes and accounts payables | (877) |
| Other payables | (1,791) |
| Other current liabilities | (994) |
| Lease liabilities- current | (777) |
| Lease liabilities- non-current | (3,333) |
| Other non-current liabilities | (37) |
| Deferred tax liabilities | (2,881) |
| Fair value of identifiable net assets | **$ 62,022** |

c) Gains on bargain purchase

The gains on bargain purchase recognized from acquisition were as follows:

| | | |
|---|---|---|
| Transfer consideration- cash | $ | 43,316 |
| Add: Non-controlling interests (measured at fair value of identifiable net assets in proportion to non-controlling interests) | | 18,607 |
| Less: Fair value of identifiable net assets | | (62,022) |
| Gains on bargain purchase (recorded under "other gains or losses") | **$** | **(99)** |

d) Intangible assets

The above patented technology and customer relationships are amortized on a straight-line basis over 5 and 6 years, respectively, based on the expected future economic benefits.

e) Temporary information on the operating results

From the date of acquisition to December 31, 2021, the operating results of Genejet were consolidated into the consolidated statement of comprehensive income of the Combined Company, contributing operating income and net loss after tax of NT$4,361 thousand and NT$1,377 thousand, respectively. If this acquisition date occurs on January 1, 2021, the presumed operating income and net income after tax of the Combined Company for 2021 will be NT$16,494,055 thousand and $965,481 thousand, respectively.

3) Changes in ownership interest in subsidiaries — Acquisition of additional equity interests in subsidiaries

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

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

| | **2022** | **2021** |
|---|---|---|
| Retained earnings - difference between the price of equity acquired or disposed of by the subsidiary and the book value | **$ (30,506)** | **-** |

## j. Property, plant and equipment

| | Land | Housing and structures | Machinery equipment | Others | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balance as of January 1, 2022 | $ 1,344,108 | 3,585,151 | 6,137,565 | 2,324,470 | 13,391,294 |
| Addition | - | 30,098 | 231,436 | 824,755 | 1,086,289 |
| Disposal | - | - | (193,084) | (11,628) | (204,712) |
| Reclassification non-current assets held for sale | - | (4,430) | (16,318) | - | (20,748) |
| Others reclassification and effect of foreign exchange rate changes | - | 14,763 | 190,805 | (179,506) | 26,062 |
| Balance as of December 31, 2022 | $ 1,344,108 | 3,625,582 | 6,350,404 | 2,958,091 | 14,278,185 |
| Balance as of January 1, 2021 | $ 1,477,219 | 3,208,141 | 5,845,067 | 2,332,464 | 12,862,891 |
| Acquisitions of businesses | - | - | 36,868 | 6,915 | 43,783 |
| Addition | - | 87,745 | 174,109 | 455,810 | 717,664 |
| Disposal | - | - | (50,859) | (18,538) | (69,397) |
| Reclassification non-current assets held for sale | (133,111) | (40,024) | (8,253) | (13,677) | (195,065) |
| Others reclassification and effect of foreign exchange rate changes | - | 329,289 | 140,633 | (438,504) | 31,418 |
| Balance as of December 31, 2021 | $ 1,344,108 | 3,585,151 | 6,137,565 | 2,324,470 | 13,391,294 |
| Accumulated depreciation: | | | | | |
| Balance as of January 1, 2022 | $ - | 2,008,466 | 5,162,709 | 1,726,890 | 8,898,065 |
| Depreciation for the period | - | 123,113 | 266,122 | 117,371 | 506,606 |
| Disposal | - | - | (179,960) | (11,624) | (191,584) |
| Reclassification non-current assets held for sale | - | - | (16,318) | - | (16,318) |
| Others reclassification and effect of foreign exchange rate changes | - | 8,490 | 6,956 | 1,517 | 16,963 |
| Balance as of December 31, 2022 | $ - | 2,140,069 | 5,239,509 | 1,834,154 | 9,213,732 |
| Balance as of January 1, 2021 | $ - | 1,895,311 | 4,970,576 | 1,647,788 | 8,513,675 |
| Acquisitions of businesses | - | - | 22,131 | 2,011 | 24,142 |
| Depreciation for the period | - | 129,822 | 236,287 | 86,575 | 452,684 |
| Disposal | - | - | (50,080) | (18,474) | (68,554) |
| Reclassification non-current assets held for sale | - | (19,943) | (5,548) | (5,665) | (31,156) |
| Others reclassification and effect of foreign exchange rate changes | - | 3,276 | (10,657) | 14,655 | 7,274 |
| Balance as of December 31, 2021 | $ - | 2,008,466 | 5,162,709 | 1,726,890 | 8,898,065 |
| Carrying Value: | | | | | |
| December 31, 2022 | $ 1,344,108 | 1,485,513 | 1,110,895 | 1,123,937 | 5,064,453 |
| December 31, 2021 | $ 1,344,108 | 1,576,685 | 974,856 | 597,580 | 4,493,229 |
| January 1, 2021 | $ 1,477,219 | 1,312,830 | 874,491 | 684,676 | 4,349,216 |

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

k. Right-of-use assets

| | Land use rights | Housing and structures | Total |
|---|---|---|---|
| Right-of-use assets cost: | | | |
| Balance as of January 1, 2022 | $ 63,352 | 482,953 | 546,305 |
| Addition | - | 474,749 | 474,749 |
| Derecognition in the current period | - | (414,447) | (414,447) |
| Reclassification non-current assets held for sale | (7,114) | - | (7,114) |
| Effect of changes in exchange rates | 887 | - | 887 |
| Balance as of December 31, 2022 | $ 57,125 | 543,255 | 600,380 |
| Balance as of January 1, 2021 | $ 63,007 | 426,531 | 489,538 |
| Merger Acquisition | - | 4,236 | 4,236 |
| Addition | - | 52,575 | 52,575 |
| Lease modifications | - | (389) | (389) |
| Effect of changes in exchange rates | 345 | - | 345 |
| Balance as of December 31, 2021 | $ 63,352 | 482,953 | 546,305 |
| Accumulated depreciation of right-of-use assets: | | | |
| Balance as of January 1, 2022 | $ 15,035 | 340,980 | 356,015 |
| Depreciation for the period | 1,204 | 90,571 | 91,775 |
| Derecognition in the current period | - | (414,447) | (414,447) |
| Reclassification non-current assets held for sale | (2,367) | - | (2,367) |
| Effect of changes in exchange rates | 206 | - | 206 |
| Balance as of December 31, 2022 | $ 14,078 | 17,104 | 31,182 |
| Balance as of January 1, 2021 | $ 13,666 | 254,282 | 267,948 |
| Merger Acquisition | - | 140 | 140 |
| Depreciation for the period | 1,290 | 86,631 | 87,921 |
| Lease modifications | - | (73) | (73) |
| Effect of changes in exchange rates | 79 | - | 79 |
| Balance as of December 31, 2021 | $ 15,035 | 340,980 | 356,015 |
| Carrying Value: | | | |
| December 31, 2022 | $ 43,047 | 526,151 | 569,198 |
| December 31, 2021 | $ 48,317 | 141,973 | 190,290 |
| January 1, 2021 | $ 49,341 | 172,249 | 221,590 |

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

l. Investment properties

| | Housing and structures | Land use rights | Total |
|---|---|---|---|
| Cost: | | | |
| Balance as of January 1, 2022 | $ 890,396 | 67,711 | 958,107 |
| Reclassification non-current assets held for sale | (595,028) | (9,184) | (604,212) |
| Effect of changes in exchange rates | 13,017 | 950 | 13,967 |
| Balance as of December 31, 2022 | **$ 308,385** | **59,477** | **367,862** |
| Balance as of January 1, 2021 | $ 885,528 | 67,341 | 952,869 |
| Effect of changes in exchange rates | 4,868 | 370 | 5,238 |
| Balance as of December 31, 2021 | **$ 890,396** | **67,711** | **958,107** |
| Accumulated depreciation: | | | |
| Balance as of January 1, 2022 | $ 505,452 | 21,583 | 527,035 |
| Depreciation for the period | 14,875 | 1,269 | 16,144 |
| Reclassification non-current assets held for sale | (341,222) | (3,056) | (344,278) |
| Effect of changes in exchange rates | 7,389 | 300 | 7,689 |
| Balance as of December 31, 2022 | **$ 186,494** | **20,096** | **206,590** |
| Balance as of January 1, 2021 | $ 475,692 | 20,080 | 495,772 |
| Depreciation for the period | 27,071 | 1,389 | 28,460 |
| Effect of changes in exchange rates | 2,689 | 114 | 2,803 |
| Balance as of December 31, 2021 | **$ 505,452** | **21,583** | **527,035** |
| Carrying Value: | | | |
| December 31, 2022 | **$ 121,891** | **39,381** | **161,272** |
| December 31, 2021 | **$ 384,944** | **46,128** | **431,072** |
| January 1, 2021 | **$ 409,836** | **47,261** | **457,097** |
| Fair value: | | | |
| December 31, 2022 | | | **$ 348,535** |
| December 31, 2021 | | | **$ 775,518** |

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

m. Intangible assets

| | Goodwill | Patented technology | Customer relationship | Purchased software | Others | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance as of January 1, 2022 | $ 32,262 | 122,173 | 34,925 | 264,009 | 1,850 | 455,219 |
| Separate acquisition | - | - | - | 29,008 | - | 29,008 |
| Reclassification and influence of exchange rate change | - | 5,075 | - | 3,017 | 14 | 8,106 |
| Balance as of December 31, 2022 | **$ 32,262** | **127,248** | **34,925** | **296,034** | **1,864** | **492,333** |
| Balance as of January 1, 2021 | $ - | 47,116 | - | 218,155 | 1,490 | 266,761 |
| Acquisitions of businesses | 32,262 | 76,113 | 34,925 | 379 | 355 | 144,034 |
| Separate acquisition | - | - | - | 44,260 | - | 44,260 |
| Decrease in the period | - | - | - | (743) | - | (743) |
| Reclassification and influence of exchange rate change | - | (1,056) | - | 1,958 | 5 | 907 |
| Balance as of December 31, 2021 | **$ 32,262** | **122,173** | **34,925** | **264,009** | **1,850** | **455,219** |
| Accumulated amortization: | | | | | | |
| Balance as of January 1, 2022 | $ - | 54,393 | 591 | 232,897 | 1,565 | 289,446 |
| Amortization for the year | - | 13,300 | 3,547 | 39,774 | 22 | 56,643 |
| Reclassification and influence of exchange rate change | - | 4,836 | - | 11 | 14 | 4,861 |
| Balance as of December 31, 2022 | **$ -** | **72,529** | **4,138** | **272,682** | **1,601** | **350,950** |
| Balance as of January 1, 2021 | $ - | 34,475 | - | 196,764 | 1,268 | 232,507 |
| Acquisitions of businesses | - | 12,357 | - | 260 | 66 | 12,683 |
| Amortization for the year | - | 8,393 | 591 | 36,605 | 227 | 45,816 |
| Decrease in the period | - | - | - | (743) | - | (743) |
| Reclassification and influence of exchange rate change | - | (832) | - | 11 | 4 | (817) |
| Balance as of December 31, 2021 | **$ -** | **54,393** | **591** | **232,897** | **1,565** | **289,446** |
| Carrying Value: | | | | | | |
| December 31, 2022 | **$ 32,262** | **54,719** | **30,787** | **23,352** | **263** | **141,383** |
| December 31, 2021 | **$ 32,262** | **67,780** | **34,334** | **31,112** | **285** | **165,773** |
| January 1, 2021 | **$ -** | **12,641** | **-** | **21,391** | **222** | **34,254** |

As of December 31, 2022 and 2021, the goodwill arising from the merger and acquisition was apportioned to the following cash generating units benefiting from the consolidated effect:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Cenefom | $ 32,262 | 32,262 |

The above-mentioned cash generating units are the smallest units under the supervision of management under the return on investment of assets containing goodwill. Based on the results of the goodwill impairment test conducted by the consolidated company on the aforesaid cash generating units, the recoverable amount of the aforesaid cash generating units as of December 31, 2022 and 2021 is higher than their book value, so there is no need to recognize the impairment loss. The recoverable amount of each of the cash generating units is determined based on the value in use, and the relevant key assumptions are as follows:

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Cenefom: | | |
| Operating Revenue Growth Rate | 2%~77% | 2%~54% |
| Discount rate | 22.96% | 17.08% |

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

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

n. Short-term borrowings

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Unsecured bank loans | $ 1,051,460 | 586,849 |
| Unused credit line | $ 8,163,599 | 9,142,627 |
| Interest rate range | **1.37%~4.80%** | **0.75%~1.95%** |

o. Long-term borrowings

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Unsecured bank loans | $ 1,265,488 | 1,006,694 |
| Secured bank loans | - | 300,000 |
| Less: Long-term borrowings due within one year | (181,486) | (1,666) |
| Total | $ 1,084,002 | 1,305,028 |
| Unused credit line | $ 5,796,100 | 3,497,000 |
| Expiration year | 2023-2030 | 2023-2030 |
| Interest rate range | **1.63%~1.68%** | **1.25%~1.85%** |

1) Collateral for bank loans

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

2) Government low-interest loans

The Combined Company obtained low-interest bank loans in accordance with the “Action Plan for Welcoming Overseas Taiwanese Business to Return to Invest in Taiwan” in 2020. As of December 31, 2022 and 2021, the actual repayment preferential interest rate is 1.13%~1.18% and 0.75%~0.80%, besides, the actual amount of transfer amounted on NT$1,278,350 thousand and NT$1,018,000 thousand. The fair value of the loans was NT$1,253,770 thousand and NT$996,484 thousand based on the market interest rate of 1.63%~1.68% and 1.25%~1.30%, and the difference of NT$24,580 thousand and NT$21,516 thousand is regarded as the government subsidy and recognized as deferred income. In 2022 and 2021, the amount of the aforementioned deferred income transferred to "other income" amounted to NT$4,872 thousand and NT$4,082 thousand, respectively.

3) Financial ratio agreement in loan contract

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

The financial ratios of the Combined Company as of December 31, 2022 and 2021 were in compliance with the agreed standards in the joint loan contract.

p. Lease liabilities

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Current: | | |
| Related parties | $ 91,746 | 91,779 |
| Non-related parties | $ 7,787 | 7,871 |
| Non-current: | | |
| Related parties | $ 382,780 | - |
| Non-related parties | $ 44,595 | 52,383 |

For maturity analysis, please refer to Note 6 (26) Financial Risk Management.

The amounts recognized in profit or loss were as follows:

| | 2022 | 2021 |
|---|---|---|
| Short-term lease expense | $ 17,277 | 10,419 |
| Interest expense – lease obligations payable | $ 1,938 | 2,973 |

The amounts recognized in the statements of cash flows are:

| | 2022 | 2021 |
|---|---|---|
| Total cash flows on lease | $ 119,089 | 100,165 |

1. Lease of buildings and constructions

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

2. Other leases

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

q. Operating leases - lessor

The investment property leased by the Combined Company does not transfer all risks and remuneration attached to the ownership of the underlying assets, so the tenancy agreement is classified as an operating lease. Please refer to Note 6 (12) investment property for details.

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Less than 1 year | $ 21,601 | 18,367 |
| 1~5 years | 24,804 | 1,092 |
| Non-discounted future cash flows of lease | $ 46,405 | 19,459 |

The rental income from investment real estate in 2022 and 2021 was NT$73,838 thousand and NT$75,417 thousand, respectively, which were reported under operating income. The direct operating expenses incurred by investment real estate (listed in "Operating Costs") are as follows:

| | 2022 | 2021 |
|---|---|---|
| Direct operating expenses of investment properties that generated rental income | $ 25,068 | 37,627 |

r. Employee benefits

1) Defined benefit plans

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Present value of defined benefit obligations | $ 70,097 | 60,559 |
| Fair value of plan assets | (50,266) | (44,480) |
| Net defined benefit liabilities (listed as other non-current liabilities) | **$ 19,831** | **16,079** |

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Present value of defined benefit obligations | $ 371 | 361 |
| Fair value of plan assets | (4,774) | (4,305) |
| Net defined benefit asset (listed as "other non-current assets") | **$ (4,403)** | **(3,944)** |

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

a) Composition of plan assets

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

As of December 31, 2022 and 2021, the balances of the Taiwan Bank's special account for labor retirement reserves of the Combined Company were NT$55,040 thousand and NT$48,785 thousand, respectively. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

| | 2022 | 2021 |
|---|---|---|
| Service cost and interest of the period | $ 60,920 | 59,707 |
| Current interest | 456 | 447 |
| Reduced benefits | - | (595) |
| Remeasurement of net defined benefit liabilities | | |
| — Actuarial profits and losses due to experience adjustments | 2,225 | 5,492 |
| — Actuarial profits or losses arising out of changes in financial assumptions | 6,867 | 1,942 |
| — Actuarial profits or losses arising from changes in demographic assumptions | - | 10 |
| Benefits that are planned to pay | - | (6,083) |
| Service cost and interest of the end period | **$ 70,468** | **60,920** |

c) Changes in the fair value of planned assets

| | 2022 | 2021 |
|---|---|---|
| Fair value of plan assets at beginning period | $ 48,785 | 52,058 |
| Interest revenue | 362 | 398 |
| Remeasurement of net defined benefit liabilities | | |
| —Actuarial profits or losses | 3,814 | 512 |
| Funds contributed by the employer | 2,079 | 1,900 |
| Benefits paid by the plan | - | (6,083) |
| Fair value of plan assets at end period | **$ 55,040** | **48,785** |

d) Change of asset upper limit impacts

The Combined Company did not determine the impact of the maximum number of assets of the defined benefit plans in 2022 and 2021.

e) Expenses recognized in profit or loss (interest)

| | 2022 | 2021 |
|---|---|---|
| Net interest on net defined benefit liability assets | $ 94 | 49 |
| Reduced benefits | - | (595) |
| | **$ 94** | **(546)** |
| Operating costs | $ 39 | (515) |
| Operating Expenses | 55 | (31) |
| | **$ 94** | **(546)** |

f) Re-measurements of the net defined benefit liability recognized as other comprehensive revenue

| | 2022 | 2021 |
|---|---|---|
| Accumulated balance at beginning period | $ (28,856) | (21,924) |
| Recognition of the period | (5,278) | (6,932) |
| Accumulated balance at end of period | **$ (34,134)** | **(28,856)** |

g) Actuarial assumptions

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Discount rate | 1.5%~2% | 0.5%~0.75% |
| Future salary increases rate | 4.00% | 2.00% |

The Combined Company expects to pay NT$2,122 thousand to the defined benefit plan within one year after the reporting date in 2022. The weighted average duration of defined benefit plans is 6.92~17.86 years.

h) Sensitivity analysis

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

| | **Impact on defined benefit obligations** | |
|---|---|---|
| | **Increase by 0.25%** | **Decrease by 0.25%** |
| December 31, 2022 | | |
| Discount rate | (2,554) | 2,663 |
| Future salary increases rate | 2,574 | (2,483) |
| December 31, 2021 | | |
| Discount rate | (2,349) | 2,455 |
| Future salary increases rate | 2,382 | (2,293) |

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

2) Defined contribution plans

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

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

| | 2022 | 2021 |
|---|---|---|
| Operating costs | $ 56,669 | 49,044 |
| Operating Expenses | 38,524 | 30,565 |
| | **$ 95,193** | **79,609** |

s. Income tax

1) Income tax expense:

| | 2022 | 2021 |
|---|---|---|
| Income tax expenses of the period | | |
| Accrued in current year | $ 438,708 | 136,623 |
| Adjustments to income tax expenses of precious period | (12,542) | (9,368) |
| | 426,166 | 127,255 |
| Deferred income tax expenses | | |
| Occurrence and reversal of temporary differences | 87,528 | 32,493 |
| Changes in unrecognized temporary differences | 124 | 82,636 |
| Unrecognized loss carryforwards changes | (43,382) | (3,939) |
| | 44,270 | 111,190 |
| Income tax expense | **$ 470,436** | **238,445** |

There was no income tax that was directly recognized in equity or other comprehensive income for the Combined Company in 2022 and 2021.

The reconciliation of income tax expenses and income before income tax was as follows:

| | 2022 | 2021 |
|---|---|---|
| Profit before tax | $ 1,755,177 | 1,207,972 |
| Income tax calculated by domestic tax rate of the Company's domicile | $ 351,035 | 241,595 |
| Impact of tax rate difference in foreign administrative areas | 65,455 | 9,351 |
| Domestic investment gains recognized under equity method | (57,096) | (14,288) |
| Non-deductible impairment and expenses | 15,759 | 11,094 |
| Gains from tax exemption | (58,668) | - |
| Changes in unrecognized temporary differences | 124 | 82,636 |
| Unrecognized loss carryforwards changes | (43,382) | (3,939) |
| Investment deduction | (51,904) | (61,595) |
| Previous income tax adjustment | (12,542) | (9,368) |
| land value increment tax | 99,076 | - |
| disposal of overseas real estate interests | 179,181 | - |
| Others | (16,602) | (17,041) |
| Income tax expense | $ 470,436 | 238,445 |

2) Deferred tax assets and liabilities

a) Unrecognized deferred tax assets

Unrecognized deferred tax assets:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Deductible loss | $ 174,699 | 218,081 |
| Summary amount of temporary differences related to investment in subsidiaries | 2,898 | 2,774 |
| | $ 177,597 | 220,855 |

For the temporary difference related to the investment subsidiary, since the Combined Company can control the time when the temporary difference turns back and is convinced that it will not be in the foreseeable future reverted, therefore, the related deferred tax assets were not recognized; in addition, the Company and some of its subsidiaries assessed on each reporting date that it is not likely to have sufficient taxable income in the future for loss deduction, so the relevant deferred income tax assets have not been recognized.

As of December 31, 2022, the loss deduction and tax amount of the Combined Company's unrecognized deferred tax assets, the deduction period is as follows:

| Amount of deductible losses | The number of losses that have not been deducted from the deduction of tax | Final year that tax may be deducted |
|---|---|---|
| $ 59,975 | 13,535 | 2023 |
| 39,238 | 8,237 | 2024 |
| 69,739 | 15,915 | 2025 |
| 62,927 | 13,793 | 2026 |
| 137,169 | 32,481 | 2027 |
| 164,357 | 39,658 | 2028 |
| 159,789 | 38,879 | 2029 |
| 31,441 | 6,288 | 2030 |
| 18,062 | 3,613 | 2031 |
| 11,501 | 2,300 | 2032 |
| $ 754,198 | 174,699 | |

b) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred income tax assets:

| | Allowance for loss of inventory depreciation | Deductible loss | Fixed asset tax differential | Others | Total |
|---|---|---|---|---|---|
| **January 1, 2022** | $ 54,827 | 29,038 | 37,755 | 61,915 | 183,535 |
| (Debit) credit revenue statement | 41,692 | 4,044 | (349) | 33,774 | 79,161 |
| Exchange differences arising on translation of financial statements of foreign operations | - | - | 124 | - | 124 |
| **December 31, 2022** | $ 96,519 | 33,082 | 37,530 | 95,689 | 262,820 |
| **January 1, 2021** | $ 68,964 | 27,451 | 33,795 | 44,049 | 174,259 |
| (Debit) credit revenue statement | (14,137) | 1,587 | 3,917 | 17,866 | 9,233 |
| Exchange differences arising on translation of financial statements of foreign operations | - | - | 43 | - | 43 |
| **December 31, 2021** | $ 54,827 | 29,038 | 37,755 | 61,915 | 183,535 |

Deferred tax liabilities:

| | Share of profit from subsidiaries accounted under equity method | Reserve for land value increment tax | Others | Total |
|---|---|---|---|---|
| **January 1, 2022** | $ 116,231 | 2,780 | 25,724 | 144,735 |
| Debit (credit) income statement | 132,846 | (2,780) | (6,635) | 123,431 |
| Exchange differences arising on translation of financial statements of foreign operations | - | - | 18 | 18 |
| **December 31, 2022** | **$ 249,077** | **-** | **19,107** | **268,184** |
| **January 1, 2021** | $ - | 2,780 | 4,238 | 7,018 |
| Acquisitions of businesses | - | - | 17,318 | 17,318 |
| Debit (credit) income statement | 116,231 | - | 4,192 | 120,423 |
| Exchange differences arising on translation of financial statements of foreign operations | - | - | (24) | (24) |
| **December 31, 2021** | **$ 116,231** | **2,780** | **25,724** | **144,735** |

As of December 31, 2022, the loss deduction and tax amount of the Combined Company's recognized deferred tax assets, the deduction period is as follows:

| Amount of deductible losses | The number of losses that have not been deducted from the deduction of tax | Final year that tax may be deducted |
|---|---|---|
| $ 39,399 | 7,880 | 2026 |
| 10,639 | 2,128 | 2027 |
| 23,067 | 4,613 | 2028 |
| 56,179 | 11,236 | 2029 |
| 36,127 | 7,225 | 2030 |
| **$ 165,411** | **33,082** | |

c) Income tax approved

The ROC income tax authorities have examined the Company's income tax returns up to 2020.

t. Capital and other equity

1) Common stock

As of December 31, 2022 and 2021, the total value of nominal capital stock amounted to NT$4,800,000 thousand and NT$4,000,000 thousand respectively, with a par value of NT$10 per share, consisting of 480,000 thousand and 400,000 thousand shares respectively. There were 320,675 thousand of ordinary shares being issued.

2) Capital reserve

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Changes in net equity of associates accounted under equity method | $ 192,352 | 5,808 |

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

3) Retained earnings

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

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

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

a) Legal reserve

When there is no loss in the Company, the Legal reserve will be used to issue new shares or cash upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in amount.

b) Special reserve

According to regulations of Financial Supervisory Commission, when the Company distributes the distributable surplus, the net deduction of other shareholders' equity in the current year is reported, and the same amount of special reserve is drawn from the current profit and loss and the undistributed surplus in the previous period; for the deduction of other shareholders' equity accumulated in the previous period, the same amount of special reserve shall not be distributed from the undistributed surplus in the previous period. If other stockholders' equity deductions are reversed afterward, the reversal may be applicable for the appropriation of earnings.

c) Earnings distribution

The 2021 and 2020 distributions of earnings were resolved at the directors' meetings held on May 3, 2022 and May 6, 2021, respectively, the cash dividends distributions are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Earnings Per Share (NT$)** | **Amount** | **Earnings Per Share (NT$)** | **Amount** |
| Dividends to shareholders: | | | | |
| Cash | $ 1.50 | **481,012** | 0.70 | **224,472** |

The 2022 distributions of earnings were resolved at the directors' meetings held on February 23, 2023, the cash dividends distributions are as follows:

| | 2022 | |
|---|---|---|
| | **Earnings Per Share (NT$)** | **Amount** |
| Cash | $ 2.00 | **641,349** |

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

4) Other equity (after tax)

| | Exchange differences arising on translation of financial statements of foreign operations | Remeasurement of defined benefit plans | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | Total |
|---|---|---|---|---|
| January 1, 2022 | $ (51,470) | (28,929) | (22,910) | (103,309) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| The Combined Company | 24,476 | - | - | 24,476 |
| Associates | 16,387 | - | - | 16,387 |
| Remeasurement of defined benefit plans | - | (5,278) | - | (5,278) |
| Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | - | - | (5,895) | (5,895) |
| Proceeds from the disposal of affiliated companies accounted for using equity method | 4,784 | - | - | 4,784 |
| Balance as of December 31, 2022 | $ (5,823) | (34,207) | (28,805) | (68,835) |
| January 1, 2021 | $ (40,946) | (21,997) | (20,591) | (83,534) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| The Combined Company | 8,741 | - | - | 8,741 |
| Associates | (19,265) | - | - | (19,265) |
| Remeasurement of defined benefit plans | - | (6,932) | - | (6,932) |
| Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | - | - | (3,453) | (3,453) |
| Disposal of financial assets at fair value through other comprehensive income | - | - | 1,134 | 1,134 |
| Balance as of December 31, 2021 | $ (51,470) | (28,929) | (22,910) | (103,309) |

5) Non-controlling equity (after tax)

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | $ 113,273 | - |
| Acquisition of subsidiaries | - | 115,301 |
| Acquisition of partial equity of subsidiaries | (5,750) | - |
| Increase in non-controlling interests | 75,045 | - |
| Difference between prices of shares acquired from subsidiaries and book value | 30,506 | - |
| Share attributable to non-controlling interests: | | |
| Net loss of the period | (10,929) | (2,028) |
| | $ 202,145 | 113,273 |

u. Earnings per share

1) Basic earnings per share

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to holders of common equity of the Company | $ 1,295,670 | 971,555 |
| The weighted average number of shares outstanding (thousand shares) | 320,675 | 320,675 |
| Basic earnings per share (NT$) | $ 4.04 | 3.03 |

2) Diluted earnings per share

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to holders of common equity of the Company | $ 1,295,670 | 971,555 |
| The weighted average number of shares outstanding (thousand shares) | 320,675 | 320,675 |
| Effect of potentially dilutive shares of common stocks (thousand shares): | | |
| Impact of employee compensation | 5,780 | 3,809 |
| The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact) | 326,455 | 324,484 |
| Diluted earnings Per Share (NT$) | $ 3.97 | 2.99 |

v. Revenue from contracts with customers

1) Disaggregation of revenue

| | 2022 | | |
|---|---|---|---|
| | Film sheet segment | Other sectors | Total |
| Primary geographical markets: | | | |
| China | $ 9,161,715 | 994,325 | 10,156,040 |
| Taiwan | 3,942,689 | 519,287 | 4,461,976 |
| Others | 386,026 | 536,423 | 922,449 |
| | $ 13,490,430 | 2,050,035 | 15,540,465 |
| Main products/services: | | | |
| Functional sheet | $ 13,490,430 | - | 13,490,430 |
| Others | - | 2,050,035 | 2,050,035 |
| | $ 13,490,430 | 2,050,035 | 15,540,465 |

| | 2021 | | |
|---|---|---|---|
| | Film sheet segment | Other sectors | Total |
| Primary geographical markets: | | | |
| China | $ 10,104,409 | 883,652 | 10,988,061 |
| Taiwan | 4,438,179 | 433,086 | 4,871,265 |
| Others | 294,333 | 328,027 | 622,360 |
| | $ 14,836,921 | 1,644,765 | 16,481,686 |
| Main products/services: | | | |
| Functional sheet | $ 14,836,921 | - | 14,836,921 |
| Others | - | 1,644,765 | 1,644,765 |
| | $ 14,836,921 | 1,644,765 | 16,481,686 |

2) Contract balances

| | 2022.12.31 | 2021.12.31 | 2021.01.01 |
|---|---|---|---|
| Notes receivables and accounts receivables (including related parties) | $ 3,043,260 | 2,881,481 | 2,374,348 |
| Deduction: Allowance for loss | (33,711) | (19,316) | (23,480) |
| Total | $ 3,009,549 | 2,862,165 | 2,350,868 |

| | 2022.12.31 | 2021.12.31 | 2021.1.1 |
|---|---|---|---|
| Contract liabilities (accounted under other current liabilities) | $ 56,633 | 40,529 | 24,680 |

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

Amount of contract liabilities for the period starting from January 1, 2022 and 2021, have been recognized as income in 2022 and 2021 were NT$37,384 thousand and NT$16,240 thousand, respectively.

w. Employee and directors' compensation

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

In 2022 and 2021, the Company's employee bonus was set aside for NT$165,978 thousand and NT$134,276 thousand, respectively, and the director's bonus was set aside for NT$12,448 thousand and NT$10,071 thousand, which are estimated on the basis of the Company's pre-tax net profit before deducting the bonus of employees and directors in each period multiplied by the distribution percentage of the bonus of employees and directors stipulated in the Articles of Incorporation of the Company, and reported as the operating cost or expenses of 2022 and 2021. Upon any variance between the distribution of next year and the estimated amount, a change of accounting estimate shall follow and recognize in the profit or loss of next year. The compensation for employees and directors of the Company decided by the Board of Directors is not different from the estimated amount in the Company's Individual Financial Statements for the year of 2022 and 2021, and it is issued in cash. For the relevant information, please refer to the public information observatory Inquire.

x. Non-Operating Profit and Loss

1) Interest revenue

| | 2022 | 2021 |
|---|---|---|
| Interests on bank deposits | **3,615** | **1,170** |

2) Other revenue

| | | 2022 | 2021 |
|---|---|---|---|
| Government subsidy revenue | $ | 19,872 | 17,954 |
| Dividend revenue | | 1,680 | 1,344 |
| | **$** | **21,552** | **19,298** |

3) Other gains and losses

| | | 2022 | 2021 |
|---|---|---|---|
| Disposal of property, plant and equipment interests (losses) | $ | (12,513) | 1,414 |
| Disposal of investments profits | | 64,099 | 7,814 |
| Disposal of non-current assets held for sale profits (Note 6 (7)) | | 893,148 | - |
| Net profits from foreign currency exchange | | 302,538 | 219,021 |
| Net losses from financial assets (liabilities) measured at fair value through profits (losses) - Derivative instruments | | (292,307) | (58,685) |
| Gains on bargain purchase (Note 6 (9)) | | - | 99 |
| Others | | 19,707 | 11,332 |
| | **$** | **974,672** | **180,995** |

4) Financial costs

| | | 2022 | 2021 |
|---|---|---|---|
| Interest expenses of bank loans | $ | (49,632) | (39,095) |
| Lease liabilities | | (1,938) | (2,973) |
| | **$** | **(51,570)** | **(42,068)** |

y. Types of financial instruments and fair value

1) Types of financial instruments

a) Financial assets

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Financial assets at fair value through profit or loss: | | |
| Foreign exchange forward contracts | $ 17,316 | 1,093 |
| Exchange contracts | - | 4,815 |
| Subtotal | 17,316 | 5,908 |
| Financial assets at fair value through other comprehensive income | 151,053 | 64,677 |
| Financial assets at amortized cost: | | |
| Cash and Cash Equivalents | 653,134 | 278,127 |
| Note receivables, account receivables, and other receivables (including related parties) | 3,150,678 | 3,047,027 |
| Other financial assets - current | 52,052 | 87,084 |
| Guarantee deposits paid | 26,268 | 28,974 |
| Subtotal | 3,882,132 | 3,441,212 |
| Total | **$ 4,050,501** | **3,511,797** |

b) Financial liabilities

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Financial liabilities at fair value through profit and loss: | | |
| Foreign exchange forward contracts | $ - | 9,361 |
| Exchange contracts | 1,800 | - |
| Subtotal | 1,800 | 9,361 |
| Financial liabilities measured at amortized cost: | | |
| Short-term borrowings | 1,051,460 | 586,849 |
| Account payables and other payables (including related parties) | 4,011,849 | 4,740,791 |
| Long-term borrowings (including loans due within one year) | 1,265,488 | 1,306,694 |
| Lease liabilities - Current and non-current (including related parties) | 526,908 | 152,033 |
| Guarantee deposits received | 12,923 | 25,912 |
| Subtotal | 6,868,628 | 6,812,279 |
| Total | **$ 6,870,428** | **6,821,640** |

2) Information of fair value

a) Financial instruments that is not measured at fair value

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

b) Financial instruments measured at fair value

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

i. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

ii. Level 2: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., price) or indirectly (i.e., derived from prices).

iii. Level 3: Level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable parameters).

| | 2022.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Book amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at fair value through profit or loss: | | | | | |
| Foreign exchange forward contracts | $ 17,316 | - | 17,316 | - | 17,316 |
| | **$ 17,316** | **-** | **17,316** | **-** | **17,316** |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | $ 54,549 | - | 54,549 | - | 54,549 |
| Non-listed Stocks | 96,504 | - | - | 96,504 | 96,504 |
| | **$ 151,053** | **-** | **54,549** | **96,504** | **151,053** |
| Financial liabilities at fair value through profit and loss: | | | | | |
| Exchange contracts | **$ (1,800)** | **-** | **(1,800)** | **-** | **(1,800)** |

| | 2021.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Book amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at fair value through profit or loss: | | | | | |
| Foreign exchange forward contracts | $ 1,093 | - | 1,093 | - | 1,093 |
| Exchange contracts | 4,815 | - | 4,815 | - | 4,815 |
| | **$ 5,908** | **-** | **5,908** | **-** | **5,908** |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | $ 55,490 | - | 55,490 | - | 55,490 |
| Non-listed Stocks | 9,187 | - | - | 9,187 | 9,187 |
| | **$ 64,677** | **-** | **55,490** | **9,187** | **64,677** |
| Financial liabilities at fair value through profit and loss: | | | | | |
| Foreign exchange forward contracts | **$ (9,361)** | **-** | **(9,361)** | **-** | **(9,361)** |

3) The assessment methods and assumptions followed for assessing fair value

a) Non-derivative financial instruments

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

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

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

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

b) Derivative financial instruments

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

4) Fair value level and transfer

The Combined Company did not have any financial assets and liabilities transferred in the fair value hierarchy in 2022 and 2021.

5) Statement of changes in Level 3 fair value hierarchy:

Financial assets at fair value through other comprehensive income:

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | 9,187 | 1,500 |
| Purchase of the period | 92,271 | 9,187 |
| Changes in other comprehensive income recognized in the current period | (4,954) | (1,134) |
| Reclassification of investments accounted for using the equity method | - | (366) |
| Balance at end of year | **96,504** | **9,187** |

z. Financial risk management

The Combined Company is exposed to credit risk, liquidity risk, and market risk (including exchange rate risk, interest rate risk, and equity instrument price risk) due to its business activities. This note demonstrates the risk information of the aforementioned various risks of the Combined Company, and the Combined Company's policies and procedures for measuring and managing these risks, and quantitative disclosure.

The Board of Directors of the Combined Company is responsible for developing and controlling the risk management policy of the Combined Company. The establishment of the risk management policy is to identify and analyze the risks faced by the

Combined Company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are reviewed regularly to reflect changes market conditions and the Combined Company's activities.

The management of the Combined Company supervises and reviews financial activities in accordance with relevant regulations and internal control systems. Internal auditors play a supervisory role and regularly report the review results to the Board of Directors.

1) Credit risk

Credit risk refers to the risk of the financial loss of the Combined Company due to the failure of the counterparty to perform the contractual obligations. As of the financial report date, the main potential credit risk of the Combined Company comes from financial assets such as bank deposits and accounts receivable from customers. The book value of the Combined Company's financial assets represents the maximum credit risk amount.

The deposits and derivative financial products of the Combined Company are traded in banks with good credit, and no significant credit risk will arise.

Due to the characteristics of the industry, the film sheet products of the Combined Company are concentrated in a small number of customers, which makes the Combined Company have a significant concentration of credit risk. As of December 31, 2022 and 2021, the ratio of the top five customers in the balance of accounts receivable (including related parties) were 40% and 53%, respectively. The Combined Company has established a credit policy, according to which each customer's credit status is analyzed individually to determine its credit limit, and the customer's financial status is continuously evaluated on a regular basis and insurance is used to reduce risks.

2) Liquidity Risks

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

The unused loan amounts of the Combined Company as of 31 December, 2022 and 2021 totaled NT$13,959,699 thousand and NT$12,639,627 thousand, respectively.

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

| | Contract cash flow | Within 6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|
| **December 31, 2022** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | $ 1,056,403 | 854,991 | 201,412 | - | - |
| Account payables (including related parties) | 2,576,127 | 2,576,127 | - | - | - |
| Other payables (including related parties) | 1,435,722 | 1,435,722 | - | - | - |
| Long-term borrowings (including loans due within one year)(Floating rate) | 1,327,529 | 68,641 | 130,497 | 886,503 | 241,888 |
| Lease liabilities (including related parties) | 552,720 | 54,080 | 54,086 | 423,025 | 21,529 |
| Guarantee deposits received | 12,923 | 3,253 | 1,093 | 4,600 | 3,977 |
| | $ 6,961,424 | 4,992,814 | 387,088 | 1,314,128 | 267,394 |
| Derivative financial instruments | | | | | |
| Exchange contracts - Net delivery | $ 1,800 | 1,800 | - | - | - |

| | Contract cash flow | Within 6 Months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|
| **December 31, 2021** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | $ 589,182 | 288,139 | 301,043 | - | - |
| Account payables (including related parties) | 3,189,621 | 3,189,621 | - | - | - |
| Other payables (including related parties) | 1,551,170 | 1,551,170 | - | - | - |
| Long-term borrowings (including loans due within one year)(Floating rate) | 1,363,271 | 6,645 | 6,695 | 1,108,612 | 241,319 |
| Lease liabilities (including related parties) | 157,893 | 50,869 | 50,708 | 43,116 | 13,200 |
| Guarantee deposits received | 25,912 | 1,010 | 7,357 | 16,448 | 1,097 |
| | $ 6,877,049 | 5,087,454 | 365,803 | 1,168,176 | 255,616 |
| Derivative financial instruments | | | | | |
| Forward foreign exchange contracts - Total delivery: | | | | | |
| Inflows | $ (1,264,150) | (1,264,150) | - | - | - |
| Outflows | 1,273,511 | 1,273,511 | - | - | - |
| | $ 9,361 | 9,361 | - | - | - |

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

3) Market risk

Market risk refers to the risk that changes in market prices, such as exchange rate, interest rate, and equity instrument price will affect the earnings of the Combined Company or the value of the financial instruments it holds. Financial risk management aims to manage the level of exposure to market risk within an acceptable range and maximize return on investment.

In order to manage market risks, the Combined Company engages in derivative transactions, and its use is regulated by the policies adopted by the Board of Directors. Generally, the Combined Company adopts hedging operations to manage profit and loss fluctuations.

a) Exchange Rate Risk

The Combined Company is exposed to exchange rate risk arising out of sales, procurement, and loan transactions through the functional currency valuation of the Group's enterprises. The functional currency of the Group enterprises is mainly NTD, followed by RMB and USD. These non-functional currency transactions are mainly denominated in USD and JPY.

The hedging strategy of the Combined Company is to sign forward foreign exchange contracts and exchange contracts to manage the exchange rate risk of the net foreign currency positions generated by the sales and purchase transactions that have occurred.

i. Risk and sensitivity analysis of exchange rate risk

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

Currency Unit: Thousands

| | 2022.12.31 | | | | | |
|---|---|---|---|---|---|---|
| | | **Foreign Currency** | **Exchange rate** | **New Taiwan Dollar** | **Exchange rate changes** | **Profit and loss impact** |
| Financial assets | | | | | | |
| USD | $ | 129,516 | 30.730 | 3,980,027 | 1% | 39,800 |
| JPY | | 39,987 | 0.2330 | 9,317 | 1% | 93 |
| Financial liabilities | | | | | | |
| USD | | 52,762 | 30.730 | 1,621,376 | 1% | 16,214 |
| JPY | | 5,803,273 | 0.2330 | 1,352,163 | 1% | 13,522 |

| | 2021.12.31 | | | | | |
|---|---|---|---|---|---|---|
| | | **Foreign Currency** | **Exchange rate** | **New Taiwan Dollar** | **Exchange rate changes** | **Profit and loss impact** |
| Financial assets | | | | | | |
| USD | $ | 124,059 | 27.680 | 3,433,953 | 1% | 34,340 |
| JPY | | 157,306 | 0.2404 | 37,816 | 1% | 378 |
| Financial liabilities | | | | | | |
| USD | | 67,328 | 27.680 | 1,863,639 | 1% | 18,636 |
| JPY | | 6,793,493 | 0.2404 | 1,633,156 | 1% | 16,332 |

As the Combined Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the information of foreign exchange gains (losses) in 2022 and 2021 (including both realized and unrealized), please refer to Note 6 (24).

b) Interest rate risk

The Combined Company's bank borrowings are all based on floating interest rates. In response to the risk of interest rate changes, the Combined Company mainly adopts regular assessments of bank and currency borrowing rates, and maintains good relationships with financial institutions to obtain lower financing costs. Simultaneously, it cooperates with methods such as strengthening working capital management to reduce the degree of dependence on bank loans and diversify the risk of interest rate changes.

The sensitivity analysis below is determined based on the interest rate risk of non-derivative instruments on the reporting date. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year. If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the Combined Company's net profit before tax for the year of 2022 and 2021 will decrease or increase by NT$23,169 thousand and NT$18,935 thousand, respectively, which was due to the floating interest rate borrowings of the Combined Company.

c) Price of equity instruments

The stocks of domestic listed companies and non-listed companies held by the Combined Company are subject to the risk of price changes in the equity securities market. The Company manages and monitors investment performance based on fair value.

The sensitivity analysis of the stock price risk of holding the aforementioned domestic listed companies and non-listed companies is based on the fair value changes on the reporting date. If the price of equity instruments increases/decreases by 5%, the amount of other comprehensive income for 2022 and 2021 will increase/decrease by NT$7,553 thousand and NT$3,234 thousand.

aa. Capital management

The Combined Company plans the capital management of the Combined Company based on the characteristics of the current operating industry and the future development of the Company, as well as factors such as changes in the external environment, to ensure that the Company has the necessary financial resources and operating plans to meet the future needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures.

bb. Non-cash investing and financing activities

1) For details of the acquisition of the right-of-use assets by the Combined Company through leasing in 2022 and 2021, please refer to Note 6 (11).

2) Only part of the received cash of investments activities:

| | 2022 | 2021 |
|---|---|---|
| Disposal of non-current assets held for sale profits | $ 1,355,725 | - |
| Deduction: Received in advance at the beginning of the year | (84,000) | - |
| Received cash from disposal of non-current assets held for sale | $ 1,271,725 | - |

3) The adjustment of liabilities from financing activities is as follows:

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | 2022.1.1 | Cash flow | Effect from subsidiaries the first time | Addition on lease liabilities | Lease modifications | Evaluation adjustment | 2022.12.31 |
| Short-term borrowings | $ 586,849 | 464,611 | - | - | - | - | 1,051,460 |
| Long-term borrowings (including loans due within one year) | 1,306,694 | (43,014) | - | - | - | 1,808 | 1,265,488 |
| Guarantee deposits received | 25,912 | (12,989) | - | - | - | - | 12,923 |
| Lease liabilities (including related parties) | 152,033 | (99,874) | - | 474,749 | - | - | 526,908 |
| Total liabilities from financing activities and capitalization | $ 2,071,488 | 308,734 | - | 474,749 | - | 1,808 | 2,856,779 |

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | 2021.1.1 | Cash flow | Effect from subsidiaries the first time | Addition on lease liabilities | Lease modifications | Evaluation adjustment | 2021.12.31 |
| Short-term borrowings | $ 150,000 | 420,093 | 16,756 | - | - | - | 586,849 |
| Long-term borrowings (including loans due within one year) | 1,614,624 | (326,760) | 16,814 | - | - | 2,016 | 1,306,694 |
| Guarantee deposits received | 21,187 | 4,725 | - | - | - | - | 25,912 |
| Lease liabilities (including related parties) | 182,439 | (86,773) | 4,110 | 52,575 | (318) | - | 152,033 |
| Total liabilities from financing activities and capitalization | $ 1,968,250 | 11,285 | 37,680 | 52,575 | (318) | 2,016 | 2,071,488 |

## 7. Related Party Transactions

### a. The names and relationships of related parties

| Name of related parties | Relationship with the Combined Company |
|---|---|
| Qisda Technology Co., Ltd. (Qisda) | Parent company of the Combined Company |
| Visco Vision Inc. (Visco Vision) | Affiliated company of the Combined Company |
| Cenefom Corp. (Cenefom) | Subsidiary of the Combined Company (Note 1) |
| MLK Bioscience Co., Ltd. | Affiliated company of the Combined Company |
| Visco Technology Sdn. Bhd.(VVM) | A subsidiary of Visco Vision |
| Other related parties: | |
| BenQ Foundation for Culture and Education | The actual related parties of Qisda |
| Darfon Electronics Co., Ltd. (Darfon) | Associates of Qisda |
| AU Optronics Corporation (AUO) | The corporate shareholder of Qisda accounting under equity method |
| AU Optronics (Suzhou) Corporation (AUS) | Subsidiary of AUO |
| AU Optronics (Kunshan) Corporation | Subsidiary of AUO |
| AU Optronics (Xiamen) Corporation (AUX) | Subsidiary of AUO |
| AUO Care (Suzhou) Co., Ltd. | Subsidiary of AUO |
| Darwin Precision Industry (Xiamen) Co., Ltd. | Subsidiary of AUO |
| Darwin Precision Industry (Suzhou) Co., Ltd. | Subsidiary of AUO |
| Darwin Precision Industry Corporation | Subsidiary of AUO |
| Fuxun Optoelectronics Industry (Suzhou) Co., Ltd. | Subsidiary of AUO |
| Dazhihui Intelligent Manufacturing (Suzhou) Co., Ltd. | Subsidiary of AUO |
| Edgetech Info-Technology (Suzhou) Co., Ltd. | Subsidiary of AUO |
| AUO Display Plus Corp. | Subsidiary of AUO |
| AUO Digital Technology Service (Suzhou) Co., Ltd. | Subsidiary of AUO |
| Space4M Inc. | Subsidiary of AUO |
| Daji Education Development Co., Ltd. | Subsidiary of AUO |
| AUO Envirotech Inc. | Subsidiary of AUO |
| AUO Care Co., Ltd. | Subsidiary of AUO |
| AUO Digital Technology Service Co., Ltd. | Subsidiary of AUO |
| DFI Inc. | Subsidiary of Qisda |
| Suzhou BenQ Medical Hospital (SMH) | Subsidiary of Qisda |
| Aon Medical Equipment Trading (Suzhou) Co., Ltd. | Subsidiary of Qisda |
| Lily-Medical Corporation | Subsidiary of Qisda |
| Darly Venture Inc. | Subsidiary of Qisda |
| Darly Consulting Corporation | Subsidiary of Qisda |
| BenQ Asia Pacific Corporation | Subsidiary of Qisda |
| BenQ Asia Pacific Malaysia Co., Ltd. | Subsidiary of Qisda |
| BenQ Asia Pacific Singapore Co., Ltd. | Subsidiary of Qisda |
| BenQ Asia Pacific Thailand Co., Ltd. | Subsidiary of Qisda |
| ACE Energy Co., Ltd (formerly known as BenQ Energy Technology Co., Ltd.) | Subsidiary of Qisda |
| BenQ Corporation | Subsidiary of Qisda |
| BenQ Technology (Shanghai) Co., Ltd. | Subsidiary of Qisda |
| BenQ Dialysis Technology Corporation | Subsidiary of Qisda |
| Partner Tech Corp. | Subsidiary of Qisda |
| BenQ Medical Technology Corporation | Subsidiary of Qisda |
| BenQ AB DentCare Corporation | Subsidiary of Qisda |
| BenQ Business Solution (Shanghai) Co., Ltd. | Subsidiary of Qisda |
| Suzhou Qisda Electronics Co., Ltd. | Subsidiary of Qisda |
| Metaage Corporation (formerly known as Ju Shuo Technology Co., Ltd.) | Subsidiary of Qisda |
| Ace Pillar Co., Ltd. | Subsidiary of Qisda |
| Data Image Corporation | Subsidiary of Qisda |
| Aewin Technologies Co., Ltd. | Subsidiary of Qisda |
| AdvancedTEK International Corp. | Subsidiary of Qisda |
| Global Intelligence Network Co., Ltd. | Subsidiary of Qisda |
| Simula Technology Inc. | Subsidiary of Qisda |
| BenQ Medical Equipment (Shanghai) Co., Ltd. | Subsidiary of Qisda |
| Alpha Networks Inc. | Subsidiary of Qisda |
| Epic Cloud Co., Ltd. | Subsidiary of Qisda |
| DSIGroup Co., Ltd. | Subsidiary of Qisda |
| Actian Star Technology Co., Ltd. | Subsidiary of Qisda |
| Diva Laboratories, Ltd | Subsidiary of Qisda |

Note 1. Formerly as an affiliate of the Combined Company, it has become a subsidiary of the Combined Company since October 2021.

b. Significant transactions with related parties

1) Operating revenue

| | 2022 | 2021 |
|---|---|---|
| Other related parties: | | |
| AUO | $ 3,283,317 | 3,832,921 |
| AUS | 953,580 | 1,215,914 |
| AUX | 826,266 | 809,816 |
| Others | 20,589 | 18,995 |
| Affiliated company-VVM | 169,156 | 102,930 |
| Other associates | 765 | 3,014 |
| Parent company | - | 21 |
| | $ 5,253,673 | 5,983,611 |

The transaction price sold to related parties is not significantly different from the general sales price, except that there is no general transaction price to compare due to the different specifications of some commodities. The collection period is 60~120 days, which is not significantly different from ordinary transactions.

2) Purchases

| | 2022 | 2021 |
|---|---|---|
| Associates -Visco Vision | $ 351,033 | 359,098 |
| Other associates | 10 | 423 |
| Other related parties | 65 | 70 |
| | $ 351,108 | 359,591 |

The price at which the Combined Company purchases goods from related parties cannot be compared with the general transaction price due to different product specifications. It is performed in accordance with the agreed purchase price and conditions.

3) Property transaction

The acquisition prices of various assets acquired by the Combined Company from related parties are summarized as follows:

| Related parties category | Account item | 2022 | 2021 |
|---|---|---|---|
| Parent company | Intangible assets | $ 2,349 | 2,229 |
| Other related parties | Intangible assets | 8,084 | 8,519 |
| Other related parties | Property, plant and equipment | 7,720 | 11,500 |
| | | $ 18,153 | 22,248 |

The Combined Company sold the machinery and equipment to other related parties in January 2022 at a selling price of $320 thousand, resulting in a disposal loss of $2,405 thousand. As of December 31, 2022, the relevant price has been collected.

4) Leases

The Combined Company leases factories and offices from AUO, and the rent is paid on a monthly basis with reference to the rent prices in the neighboring areas. In 2022, the Combined Company signed a new contract with AUO to rent the office from them, and recognized the same amount as right-of-use assets and lease liabilities was amounted to $474,749 thousand. Recognized interest expense in 2022 and 2021 were NT$902 thousand and NT$2,521thousand, respectively, the balance of lease liabilities as of December 31, 2022 and 2021 were NT$474,526 thousand and NT$91,779 thouand, respectively.

The Combined Company leases workshops and offices to other related parties, and the rental income is summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| Other related parties | $ 1,430 | 1,645 |

5) Donation

In 2022 and 2021, the Combined Company donated to BenQ foundation, amounted to $3,000 thousand, and $2,000 thousand, respectively.

6) Amounts receivable from related parties

In summary, the details of the accounts receivable from related parties of the Combined Company are as follows:

| Account item | Related parties category | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Accounts receivable - related parties, net | Other related parties - AUO | $ 495,602 | 419,854 |
| | Other related parties - AUS | 155,639 | 88,716 |
| | Other related parties - AUX | 165,969 | 51,334 |
| | Other related parties - Others | 4,406 | 7,975 |
| | Affiliated company - VVM | 31,231 | 42,066 |
| | Other associates | 299 | 190 |
| | Subtotal | 853,146 | 610,135 |
| Other receivables—related parties | Other related parties | 10 | 20 |
| | | $ 853,156 | 610,155 |

The Combined Company sells the account receivables from related parties to the financial institution in a non-recourse manner in accordance with the agreement of the account receivables sale contract signed with the financial institution. The relevant information related to the transfer of creditor's rights in account receivables that meets the derecognition conditions is as follows:

**2022.12.31**

| **Underwriter** | **Sale amount** | **Amount still available in advance** | **Advance amount** | **Shown as other receivables (Note 6 (5))** | **Interest rate range** | **Other important matters** |
|---|---|---|---|---|---|---|
| Mega International Commercial Bank | $ 512,167 | - | 460,950 | 51,217 | 5.44% | Guaranteed Promissory Note 150,000 |
| CTBC Bank | 361,931 | - | 325,738 | 36,193 | 5.10% | None |
| | **$ 874,098** | **-** | **786,688** | **87,410** | | **150,000** |

**2021.12.31**

| **Underwriter** | **Sale amount** | **Amount still available in advance** | **Advance amount** | **Shown as other receivables (Note 6 (5))** | **Interest rate range** | **Other important matters** |
|---|---|---|---|---|---|---|
| Mega International Commercial Bank | $ 763,366 | - | 687,030 | 76,336 | 0.80% | Guaranteed Promissory Note 150,000 |
| CTBC Bank | 551,918 | - | 496,727 | 55,191 | 0.89% | None |
| | **$ 1,315,284** | **-** | **1,183,757** | **131,527** | | **150,000** |

7) Payables to related parties

In summary, the details of the amounts due to related parties by the Combined Company are as follows:

| **Account item** | **Related parties category** | **2022.12.31** | **2021.12.31** |
|---|---|---|---|
| Accounts payable - related parties | Associates | $ 34,905 | 48,362 |
| | Other related parties | - | 74 |
| | Subtotal | 34,905 | 48,436 |
| Other payables - related parties | Other related parties | 19,987 | 24,102 |
| | Parent company | 100 | - |
| | Associates | 11 | 6 |
| | Subtotal | 20,098 | 24,108 |
| | | **$ 55,003** | **72,544** |

c. Compensation of major managerial personnel

| | **2022** | **2021** |
|---|---|---|
| Short-term employee benefits and compensation | $ 68,360 | 61,061 |
| Retirement benefits | 324 | 324 |
| | **$ 68,684** | **61,385** |

## 8. Pledged Assets

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

| Asset name | Purpose of Pledge | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Land, buildings and structures | Amount of Long-term borrowings | $ 617,584 | 629,602 |
| Other financial assets -Current | Customs deposits | 10,464 | 5,913 |
| Other financial assets -current- deposit certificates | Project guarantee deposit | 4,608 | - |
| | | $ 632,656 | 635,515 |

## 9. Material Contingent Liabilities and Unrecognized Contractual Commitments

Significant unrecognized contract commitment:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Unused letters of credit issued | $ 1,552,960 | 683,141 |
| Signed and unpaid major engineering and equipment payments | 2,181,554 | 599,853 |

## 10. Material Loss from Disaster: None

## 11. Material Subsequent Events

On November 1, 2022, BenQ acquired 35,700 thousand shares of common stock of WEB-PRO Corp (hereinafter referred to as "WEB-PRO") with a total amount of $3,162,000 thousand, equivalent to 51% equity interest by the board of directors' decision to acquired control over WEB-PRO Corp, for speeding up the company to transform into increase the medical revenue proportion.

## 12. Others

a. The functions of employee benefits, depreciation, and amortization expenses are summarized as follows:

| Types of functions | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| Types of functions | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses | | | | | | |
| Salary expenses | 1,561,257 | 922,945 | 2,484,202 | 1,433,497 | 753,892 | 2,187,389 |
| Labor insurance and national health insurance | 121,605 | 62,797 | 184,402 | 108,086 | 49,359 | 157,445 |
| Pension expenses | 56,708 | 38,579 | 95,287 | 48,529 | 30,534 | 79,063 |
| Other employee benefits expenses | 80,863 | 32,182 | 113,045 | 78,135 | 25,495 | 103,630 |
| Depreciation expenses | 498,786 | 115,739 | 614,525 | 483,813 | 85,252 | 569,065 |
| Amortization expenses | 16,212 | 40,431 | 56,643 | 15,004 | 30,812 | 45,816 |

## 13. Supplementary Disclosures

a. Information on significant transactions

In accordance with the requirements of the regulations in 2022, the Combined Company shall re-disclose the relevant information of significant transactions as follows：

1) Loaning funds to others:

Unit: NTD Thousands

| No. | Lending company | Lending subject | Contact accounts | Whether he/she is related party | Highest endorsement or guarantee amount for current period | Balance at end of year | Actual amount expenditure | Interest rate range | Nature of financing (Note 2) | Transaction amount | Reason for financing | Provision for allowance for loss amount | Collateral | | Limit on loans granted to a single party | Fund loan and total limit | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | | |
| 1 | BMS | BenQ Materials (Wuhu) Corp. | Other receivables—related parties | Yes | 1,191,679 (RMB 265,000) | 1,167,511 (RMB 265,000) | 977,184 (RMB 221,800) | 1.30% | 2 | - | Operating turnover | - | | - | 2,513,686 | 2,513,686 | (Note 1) |
| 2 | BMS | BenQ Materials Medical (Suzhou) Co., Ltd. | Other receivables—related parties | Yes | 358,112 (RMB 80,000) | 352,456 (RMB 80,000) | 348,050 (RMB 79,000) | 1.30% | 2 | - | Operating turnover | - | | - | 2,513,686 | 2,513,686 | (Note 1) |

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

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

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

2) Endorsements/guarantees provided for others: None.

3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint equity):

| Name of Company Held | Type and Name of Marketable Securities | Relationship with the securities issuer | Listed accounts | Ending Balance | | | | Highest Ownership Level or Capital Invested during the Period | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Book amount | % | Fair value | Shares | % | |
| The Company | Shares of Biodenta Corporation | - | Financial assets at fair value through profit or loss | 225 | (Note) | 2.50% | - | 225 | 2.50% | - |
| The Company | Shares of Lagis Corporation | - | Financial assets at fair value through other comprehensive income | 1,680 | 54,549 | 5.25% | 54,549 | 1,680 | 5.25% | - |
| The Company | Shares of Summed Corporation | - | Financial assets at fair value through other comprehensive income | 300 | 2,426 | 2.73% | 2,426 | 300 | 2.73% | - |
| The Company | Shares of Cuumed Catheter Medical Co., Ltd. | - | Financial assets at fair value through other comprehensive income | 3,429 | 94,078 | 11.27% | 94,078 | 3,429 | 11.27% | - |

Note. It was recognized in full as impairment losses.

4) The cumulative amount of purchase or selling the same securities reaches NT$300 million or more than 20% of the paid-in capital: None.

5) The amount of real estate acquired reaches NT$300 million or more than 20% of the paid-in capital:

| Companies acquiring real estates | Name of asset | Date of occurrence | Transaction amount | Price payment situation | Counterparty | Relationship | The counterparty is a related party, and its previous transferred data | | | | Reference basis for price determination | Objective of acquisition and usage | Other agreements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Everyone | Relationship with publisher | Transfer date | Amount | | | |
| The Company | Housing and structures | Transaction signed on November 10, 2022 | 920,000 (tax included) | Unpaid | Qizhan Construction Co., Ltd. | N/A | - | - | - | - | Inquiry & bargain | The Company's Plant in Yunke is under construction for production and operation | - |

6) The amount of disposition of real estate reaches NT$300 million or more than 20% of the paid-in capital:

Unit: NTD Thousands

| Companies disposing real estates | Name of asset | Date of occurrence | Original acquisition date | Book value | Transaction amount | Price collection situation | Disposal of gains/losses | Counterparty | Relationship | Objective of disposal | Reference basis for price determination | Other agreements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BMS | Real estates and related assets (rights of use of land, buildings, machinery and equipment and deferred charges) | Transaction signed on March 21, 2022 | 2006 | 301,762 | Contract amount was RMB 264,036 thousand | Contract amount has been fully received. | Gains on disposal is about NT$780,563 thousand (before deducting relevant land value-added tax and income tax) | Siliconware Precision Industries Co., Ltd | N/A | To utilize assets and improve operational efficiency | Refer to the valuation report | - |

7) Those who purchase or sell with a related party in the amount of NT$100 million or more than 20% of the paid-in capital:

| Vendor/ Customer | Counter-party | Relationship | Transaction details | | | | Unusual Transaction Terms and Reasons | | Note and account receivables (paid) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase (sale) goods | Amount | Ratio to total purchase (sell) | Credit period | Price | Credit period | Balance | Ratio to total notes or accounts receivable (payable) | |
| The Company | AUO | Other related parties | Sale | 3,283,317 | 22% | OA90 | (Note 1) | (Note 3) | 495,602 | 18% | |
| The Company | AUS | Other related parties | Sale | 953,580 | 6% | OA90 | 〃 | 〃 | 155,639 | 6% | |
| The Company | AUX | Other related parties | Sale | 826,266 | 6% | OA90 | 〃 | 〃 | 165,969 | 6% | |
| The Company | BMM | Parent company and subsidiaries | Sale | 479,636 | 3% | OA180 | 〃 | 〃 | 54,627 | 2% | (Note 4) |
| The Company | Sigma-Medical | Parent company and subsidiaries | Sale | 229,851 | 2% | OA180 | 〃 | 〃 | 7,569 | 0% | (Note 4) |
| The Company | VVM | Associates | Sale | 169,156 | 1% | OA60 | 〃 | 〃 | 31,231 | 1% | |
| The Company | BMS | Parent company and subsidiaries | Purchases | (945,890) | 10% | OA180 | (Note 2) | 〃 | (732,800) | 22% | (Note 4) |
| The Company | Visco Vision | Associates | Purchases | (351,033) | 4% | OA60 | 〃 | 〃 | (34,905) | 1% | |
| The Company | BMW | Parent company and subsidiaries | Purchases | (195,077) | 2% | OA180 | 〃 | 〃 | (127,458) | 4% | (Note 4) |

Note 1. The price of the Company's sales to related parties is not significantly different from the general sales except that there is no general transaction price to compare due to the different specifications of some products.

Note 2. The Company's purchase price from related parties is incomparable with the general transaction price due to different product specifications. It is processed in accordance with the agreed purchase price and conditions.

Note 3. There is no significant difference between the transaction price and general transaction.

Note 4. It has already been written off during compilation of the Consolidated Financial Statements.

Note 5. For purchases and sales with related parties, only the amount of the parent company will be disclosed, and the amount of its subsidiary will not be restated.

8) Receivables from related parties amounting to NT$100 million or 20% of the paid-in capital or more:

| The companies that record such transactions as receivables | Counter-party | Relationship | Balance Dues from Related Parties | Turnover rate (Note 1) | Overdue accounts receivables from related parties | | Subsequently Recovered Amount from Related Party | Provision for allowance for loss amount |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Way of disposal | | |
| BMS (Note 2) | The Company | Parent company and subsidiaries | 732,800 | 1.74 | 261,805 | - | 79,691 | - |
| The Company | AUO | Other related parties | 495,602 | 3.00 | - | - | - | - |
| The Company | AUS | Other related parties | 155,639 | 2.45 | - | - | - | - |
| The Company | AUX | Other related parties | 165,969 | 2.76 | - | - | - | - |
| BMW (Note 2) | The Company | Parent company and subsidiaries | 127,458 | 2.29 | - | - | 13,868 | - |

Note 1.The turnover rate is calculated by adding back the amount of account receivables sold to financial institutions.

Note 2.It has already been written off during compilation of the Consolidated Financial Statements.

9) Engaged in derivative transaction: For information on the transaction of derivative financial products by the Combined Company, please refer to Note 6 (2) of the Consolidated Financial Statements.

10) Business relationships and significant intercompany transactions among parent and subsidiaries:

| No. (Note 1) | Counter-party | Transaction object | The type of relations with transaction party (Note 2) | Transaction details (Note 3) | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounts | Amount | Transaction conditions | Ratio to consolidated total operating income or total assets (Note 4) |
| 1 | BMS | The Company | 2 | Accounts receivable | 732,800 | OA180 | 5.35% |
| 1 | BMS | The Company | 2 | Processing income | 945,890 | OA180 | 6.09% |
| 2 | The Company | BMM | 1 | Sale | 479,636 | OA180 | 3.09% |
| 3 | BMW | The Company | 2 | Sale | 195,077 | OA180 | 1.26% |

Note 1. Instruction for numbering.

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2. The type of relations with transaction party is marked as follows:

1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries

Note 3. For business relations and important transactions between parent-subsidiary companies, only sales and accounts receivable amounting to 1% of consolidated revenue or assets are disclosed, and the corresponding imports and accounts payable are omitted.

Note 4. Divide the transaction amount by the consolidated operating income or consolidated total assets.

Note 5. It has already been written off during compilation of the Consolidated Financial Statements.

b. Information on reinvestment:

The information on the reinvestment business of the Combined Company in 2022 is as follows (excluding the mainland invested company):

| Investment company name | Investee companies | Location | Major business items | Original investment amount | | Hold at the end of the period | | | Highest Ownership Level or Capital Invested during the Period | | Profit or Loss of Invested Company in the Current Period | Investment Profit/Loss Recognized in the Current Period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of this period | End of last year | Shares | Ratio (%) | Book amount | Shares | % | | | |
| The Company | BMLB | Malaysia | Holding company | 1,141,340 | 1,141,340 | 35,082 | 100.00% | 2,316,977 | 35,082 | 100.00% | 664,230 | 664,230 | (Note 1) |
| The Company | Sigma-Medical | Taiwan | Sales of medical equipment | 231,727 | 231,727 | 2,000 | 100.00% | 101,308 | 2,000 | 100.00% | 297,280 | 183,388 | (Note 1) |
| The Company | Visco Vision | Taiwan | Manufacturing and sales of contact lenses | 168,771 | 177,811 | 9,334 | 14.82% | 471,428 | 9,834 | 17.97% | 617,431 | 111,231 | |
| The Company | Cenefom | Taiwan | Development, manufacturing, and sales of medical equipment | 272,968 | 92,262 | 11,646 | 51.34% | 226,196 | 11,646 | 51.34% | (11,506) | (6,697) | (Note 1) |
| The Company | Genejet | Taiwan | Development, manufacturing, and sales of medical equipment | 43,316 | 43,316 | 3,767 | 70.00% | 42,811 | 3,767 | 70.00% | 297 | (1,314) | (Note 1) |
| The Company | Buticon International Corporation | Taiwan | Sales and development of medical equipment | 6,000 | 6,000 | 217 | 20.00% | 4,347 | 217 | 20.00% | (971) | (194) | |
| The Company | Coatmed | Taiwan | Sales of medical equipment | 5,980 | 5,980 | 598 | 9.98% | 4,974 | 598 | 20.00% | (4,785) | (936) | |

Note 1.It has already been written off during compilation of the Consolidated Financial Statements.

c. Information on investments in mainland China：

1) Information on reinvestments in mainland China:

| Investee companies in mainland | Major business items | Paid-up capital | Way of investments (Note 1) | Cumulative Investment Amount Remitted from Taiwan - Beginning of the Period | Investment amount remitted or received for the current period | | Cumulative Investment Amount Remitted from Taiwan - End of the period | Profit or Loss of Invested Company in the Current Period | Percentage of ownership through the Company's direct or indirect investment | Highest Ownership Level or Capital Invested during the Period | | Investment profits (losses) recognized for the current period | Carrying Amount as of December 31, 2019 | Investment profits repatriated by the end of the current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remit | Receive | | | | Shares | % | | | |
| BenQ Material (Suzhou) Corp. (BMS) | Processing of film sheet products | 891,170 (USD 29,000) | (3) | 891,170 (USD 29,000) | - | - | 891,170 (USD 29,000) | 547,328 | 100.00% | - | 100.00% | 547,328 (Note 2) | 2,513,686 (Note 4) | - |
| Daxon Biomedical (Suzhou) Co., Ltd. (DTB) | Provision of services and sales of related products such as medical equipment | 48,463 (RMB 11,000) | (2) | - | - | - | - | 24,560 | 100.00% | - | 100.00% | 24,560 (Note 2) | 26,558 (Note 4) | - |
| BenQ Materials (Wuhu) Corp.(BMW) | Manufacture and sales of film sheet and cosmetic-related products | 352,456 (RMB 80,000) | (3) | 176,228 (RMB 40,000) | - | - | 176,228 (RMB 40,000) (Note 3) | 105,137 | 100.00% | - | 100.00% | 101,293 (Note 2) | (186,331) (Note 4) | - |
| BenQ Materials Medical (Suzhou) Co., Ltd. (BMM) | Sales and manufacturing of medical equipment | 66,086 (RMB 15,000) | (2) | - | - | - | - | (8,013) | 100.00% | - | 100.00% | (8,013) (Note 2) | 46,351 (Note 4) | - |
| Suzhou Sigma Medical Supply Co., Ltd. (Suzhou Sigma-Medical) | Sales of medical equipment | 22,187 (USD 722) | (1) | 48,922 (USD 1,592) | - | 24,839 (USD 870) | 22,187 (USD 722) | (623) | 100.00% | - | 100.00% | (623) (Note 2) | 1,093 (Note 4) | - |

Note 1. Ways of investments are as follows:

1. Direct investment in mainland companies.
2. Reinvestment the surplus of BMLB to China.
3. Investing in mainland companies through the establishment of companies in the third region.

Note 2. The investment profits and losses are recognized based on the financial statements checked by the Taiwanese parent company certified accountant.

Note 3. Excluding the reinvestment of RMB 10,950,000 reinvested by BMLB.

Note 4. It has already been written off during compilation of the Consolidated Financial Statements.

2) Limits on investments in mainland China:

Unit: NTD Thousands

| Company name | Cumulative investment amount remitted from Taiwan to the mainland at the end of the period | Amount of Investment Approved by the Ministry of Economic Affairs Investment Committee | Upper Limit on Investment Authorized by MOEAIC |
|---|---|---|---|
| The Company | 1,067,398<br>(USD 29,000 and RMB 40,000) | 1,181,726<br>(USD 29,000 and RMB 65,950) | (Note) |
| Sigma-Medical | 22,187<br>(USD 722) | 22,187<br>(USD 722) | 80,000 |

It is converted according to the exchange rate of USD to NTD of 30.73 and RMB to NTD of 4.4057 at the end of the period.

(Note): The Company has already acquired the certificate of corporate operation headquarters, so there is no limit on investment in mainland China.

3) Material transactions with investee companies in Mainland China:

Please refer to the "Information on significant transactions" section for direct or indirect transactions between the Combined Company and investees in mainland China for 2022 which have been written off during the preparation of the Consolidated Financial Statements.

d. Information on major shareholders:

Unit: Shares

| Shareholding<br>Name of major shareholder | Holding Shares | Share Ownership % |
|---|---|---|
| BenQ Corporation | 80,847,763 | 25.21% |
| Qisda Corporation | 43,659,294 | 13.61% |

Note: The major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.

## 14. Segment Information

The reportable business segment of the Combined Company is only the film sheet segment. The film sheet segment is mainly engaged in the sales, manufacturing and research, and development of various electronic chemical membrane products.

Other operating departments of the Combined Company include sales, manufacturing and research and development of medical products and sales of contact lenses. These segments did not meet any quantitative thresholds for reporting segments in 2022 and 2021.

The accounting policies of the transportation segment, except for operating expenses and non-operating income (expenses) that cannot be directly attributable to each operating department, it is calculated based on the proportion of the revenue (or headcount) of each operating segment to the total revenue (or headcount). The income tax expense is not apportioned but directly included outside the film sheet segment, and the rest is the same as the summary of the important accounting policies described in Note 4. In addition to the non-apportionment of the profit and loss share of the Combined Company that adopts the equity method, the profit and loss of the operating segment is measured by the after-tax profit and loss and used as the basis for evaluating performance. The Combined Company deems the inter-unit sales and transfer as transaction with third parties.

The information and adjustments to operating units of the Combined Company are as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | **Film sheet segment** | **Other sectors** | **Adjustments and elimination** | **Total** |
| Revenue from external customers | $ 13,490,430 | 2,050,035 | - | 15,540,465 |
| Intersegment revenue | - | - | - | - |
| Total revenue | **$ 13,490,430** | **2,050,035** | **-** | **15,540,465** |
| Segment profit or loss | **$ 960,976** | **213,664** | **-** | **1,174,640** |
| Shares of profits of associates accounted for using the equity method | | | | 110,101 |
| Net profit | | | | **$ 1,284,741** |

| | 2021 | | | |
|---|---|---|---|---|
| | **Film sheet segment** | **Other sectors** | **Adjustments and elimination** | **Total** |
| Revenue from external customers | $ 14,836,921 | 1,644,765 | - | 16,481,686 |
| Intersegment revenue | - | - | - | - |
| Total revenue | **$ 14,836,921** | **1,644,765** | **-** | **16,481,686** |
| Segment profit or loss | **$ 882,536** | **15,732** | **-** | **898,268** |
| Shares of profits of associates accounted for using the equity method | | | | 71,259 |
| Net profit | | | | **$ 969,527** |

a. Product and service information

The Combined Company's revenue information from external customers is as follows:

| **Product and service name** | **2022** | **2021** |
|---|---|---|
| Functional sheet | $ 13,490,430 | 14,836,921 |
| Others | 2,050,035 | 1,644,765 |
| | **$ 15,540,465** | **16,481,686** |

b. Regional information

The Combined Company distinguishes the following information with the revenue based on geographic location of customers and non-current assets based on geographical location of assets.

| Region | 2022 | 2021 |
|---|---|---|
| Revenue from external customers: | | |
| China | $ 10,156,040 | 10,988,061 |
| Taiwan | 4,461,976 | 4,871,265 |
| Others | 922,449 | 622,360 |
| | $ 15,540,465 | 16,481,686 |

| Region | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Non-current assets: | | |
| Taiwan | $ 4,649,490 | 3,934,615 |
| China | 1,327,379 | 1,413,431 |
| | $ 5,976,869 | 5,348,046 |

Non-current assets include property, plant and equipment, right-of-use assets, investment real estate, intangible assets and other assets, but non-current assets that do not include financial instruments, deferred income tax assets and assets for retirement benefits.

c. Major customer information

| | 2022 |
|---|---|
| Customer A | $ 3,283,317 |
| Customer B | 953,580 |
| Customer C | 826,266 |
| Customer D | 820,069 |
| Customer E | 780,108 |
| | $ 6,663,340 |

| | 2021 |
|---|---|
| Customer A | $ 3,832,921 |
| Customer B | 1,215,914 |
| Customer F | 962,435 |
| | $ 6,011,270 |

Stock Code: 8215

# BenQ Materials Corporation

## Parent Company Only Financial Statements With

## Independent Auditor's Report

For the Years Ended December 31, 2022 and 2021

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

**Tel:** **(03)3748800**

# Independent Auditor's Report

To The Board of Directors of BenQ Materials Corporation,

**Opinions on the audit**

We have audited the Balance Sheets of BenQ Materials Corporation as of December 31, 2022 and 2021, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Material Accounting Policies) for the annual period from January 1 to December 31, 2022 and 2021.

In our opinion, the aforementioned Individual Financial Statements present fairly, in all material respects, the individual financial position of BenQ Materials Corporation as of December 31, 2022 and 2021, and its individual financial performance and cash flows for the annual periods ended December 31, 2022 and 2021 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

**Basis of opinions on the audit**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 Parent Company Only Financial Statement of BenQ Materials Corporation and its subsidiaries. These matters were addressed in the context of our audit of the Parent Company Only Financial Statement as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters individually. The accountant's judgment should communicate the key audit matters on the audit report as follows:

I. Inventory Valuation

For the accounting policies of inventories, please refer to Note 4 (7) of the Parent Company Only Financial Statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5 of the Parent Company Only Financial Statements; For the description of important accounting items in inventories, please refer to Note 6 (6) of the Parent Company Only Financial Statement.

Description of Key Audit Matters:

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

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

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

**The Management's Responsibility and Governing Body of the Parent Company Only Financial Statement**

It is the management's responsibility to fairly present the Parent Company Only Financial Statement in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and to maintain internal controls which are necessary for the preparation of the Parent Company Only Financial Statement so as to avoid material misstatements due to fraud or errors therein.

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

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

**The Accountants' Responsibilities in Auditing the Parent Company Only Financial Statement**

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

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

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

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

3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of BenQ Materials Corporation to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Parent Company Only Financial Statement in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause BenQ Materials Corporation to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the Parent Company Only Financial Statement (including the related notes), and determined whether the Parent Company Only Financial Statements present related transactions and events fairly.
6. Acquire sufficient and appropriate audit evidence for the financial information of the investee company that adopts the equity method to express opinions on Parent Company Only Financial Statement. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion on BenQ Materials Corporation.

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

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

From the matters communicated with those charged with governing body, we determined the key audit matters of the Parent Company Only Financial Statement of BenQ Materials Corporation of 2022. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

KPMG Taiwan

CPA:

Approved audit number: : FSC (6) No. 0940100754
FSC (6) No. 0950103298

February 23, 2023

Notice to Readers

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

**BenQ Materials Corporation**

Balance Sheet
December 31, 2022 and 2021
Unit: NT$ thousand

| | | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 4 (1) ) | $ 347,022 | 2 | 107,720 | 1 |
| 1110 | Financial assets at fair value through profit or loss - Current (Note 6 (2 ) | 17,316 | - | 5,908 | - |
| 1120 | Financial assets at fair value through other comprehensive income - current (Note 6 (3) ) | 54,549 | - | 55,490 | - |
| 1170 | Notes and accounts receivable, net amount (Note 6 (4) and (19)) | 1,902,450 | 14 | 2,017,573 | 17 |
| 1180 | Notes and accounts receivable - related parties net amount (Note 6 (4), (19) and 7) | 917,223 | 7 | 1,081,494 | 9 |
| 1200 | Other receivables (Note 6 (5) and (7)) | 138,623 | 1 | 183,945 | 2 |
| 1210 | Other receivables - related parties (Note 6 (5) and (7)) | 1,703 | - | 2,284 | - |
| 1310 | Inventories, net (Note 6 (6)) | 2,322,850 | 17 | 2,487,033 | 20 |
| 1479 | Other current assets | 155,860 | 1 | 151,060 | 1 |
| 1476 | Other financial assets - current | 10,464 | - | 5,913 | - |
| | **Total current assets** | 5,868,060 | 42 | 6,098,420 | 50 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 6(3) ) | 96,504 | 1 | 9,187 | - |
| 1550 | Investments accounted under equity method (Note 6 (7)) | 3,168,041 | 22 | 2,155,793 | 18 |
| 1600 | Property, plant, and equipment (Notes 6 (9), 7, and 8) | 4,010,841 | 29 | 3,610,070 | 30 |
| 1755 | Right-of-use asset (Notes 6 (10)) | 523,043 | 4 | 138,018 | 1 |
| 1780 | Intangible assets (Note 6 (11) and 7) | 22,309 | - | 30,634 | - |
| 1840 | Deferred tax assets (Note 6 (16)) | 220,538 | 2 | 144,141 | 1 |
| 1920 | Guarantee deposits paid | 6,919 | - | 9,451 | - |
| 1995 | Other non-current assets | 13,255 | - | 4,443 | - |
| | **Total non-current assets** | 8,061,450 | 58 | 6,101,737 | 50 |
| | **Total assets** | **$ 13,929,510** | **100** | **12,200,157** | **100** |

| | | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (Note 6 (12)) | $ 1,051,460 | 8 | 576,800 | 5 |
| 2120 | Financial Liabilities at Fair Value through Profit or Loss - Current (Note 6 (2) ) | 1,800 | - | 9,361 | - |
| 2170 | Accounts payable | 2,438,302 | 18 | 3,054,382 | 25 |
| 2180 | Accounts payable - related parties (Note 7) | 895,740 | 6 | 447,739 | 3 |
| 2200 | Other payables (Note 6 (20)) | 1,224,047 | 9 | 1,345,775 | 11 |
| 2220 | Other payables - related parties (Note 7) | 51,573 | - | 26,343 | - |
| 2320 | Long-term borrowings due within one year (Note 6 (13)) | 181,486 | 1 | - | - |
| 2281 | Lease liabilities - current (Note 6 (14)) | 6,966 | - | 7,088 | - |
| 2282 | Lease liabilities - related parties - current (Note 6 (14) and 7) | 91,746 | 1 | 91,779 | 1 |
| 2300 | Other current liabilities (Note 6 (19)) | 143,327 | 1 | 90,194 | 1 |
| | **Total current liabilities** | 6,086,447 | 44 | 5,649,461 | 46 |
| | **Non-current liabilities:** | | | | |
| 2540 | Long-term borrowings (Note 6 (13) and 8) | 1,084,002 | 8 | 1,303,330 | 11 |
| 2570 | Deferred tax liabilities (Note 6 (16)) | 252,241 | 2 | 123,773 | 1 |
| 2581 | Lease liabilities - non-current (Note 6 (14)) | 42,217 | - | 49,184 | 1 |
| 2582 | Lease liabilities - related parties — noncurrent (Note 6 (14) and 7) | 382,780 | 3 | - | - |
| 2600 | Other non-current liabilities (Note 6 (13) and (15)) | 33,323 | - | 31,079 | - |
| | **Total non-current liabilities** | 1,794,563 | 13 | 1,507,366 | 13 |
| | **Total liabilities** | 7,881,010 | 57 | 7,156,827 | 59 |
| | **Equity (Note 6 (8) and (17)):** | | | | |
| 3110 | Common stock | 3,206,745 | 23 | 3,206,745 | 26 |
| 3200 | Capital reserve | 192,352 | 1 | 5,808 | - |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 414,305 | 3 | 317,262 | 2 |
| 3320 | Special reserve | 103,309 | 1 | 83,534 | 1 |
| 3350 | Undistributed earnings | 2,200,624 | 16 | 1,533,290 | 13 |
| 3400 | Other equity | (68,835) | (1) | (103,309) | (1) |
| | **Total equity** | 6,048,500 | 43 | 5,043,330 | 41 |
| | **Total liabilities and equity** | **$ 13,929,510** | **100** | **12,200,157** | **100** |

**(Please refer to the attached notes to the Parent Company Only Financial Statement)**

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

**BenQ Materials Corporation**

**Statements of Comprehensive Income**

**From January 1 to December 31, 2022 and 2021**

**Unit: NT$ thousand**

| Code | Item | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|
| 4000 | **Operating revenue (Note 6 (19) and 7)** | $ 14,780,630 | 100 | 15,898,350 | 100 |
| 5000 | **Operating cost (Note 6 (6), (9), (10), (11), (14), (15), (20), 7 and 12)** | (12,415,438) | (84) | (13,543,517) | (85) |
| | **Gross operating profit** | 2,365,192 | 16 | 2,354,833 | 15 |
| 5910 | (Unrealized) realized sales profit and loss | (51,306) | - | (13,596) | - |
| | **Realized operating profit and loss** | 2,313,886 | 16 | 2,341,237 | 15 |
| | **Operating expenses (Note 6 (4), (9), (10), (11), (14), (15), (20), 7 and 12)** | | | | |
| 6100 | Selling expenses | (675,786) | (4) | (575,694) | (4) |
| 6200 | Administrative expenses | (245,162) | (2) | (209,090) | (1) |
| 6300 | Research and development expenses | (851,156) | (6) | (741,194) | (5) |
| | **Total operating expenses** | (1,772,104) | (12) | (1,525,978) | (10) |
| | **Net Operating Income** | 541,782 | 4 | 815,259 | 5 |
| | **Non-operating income and expenses (Note 6 (7), (13), (14), (21) and 7)** | | | | |
| 7100 | Interest revenue | 486 | - | 589 | - |
| 7010 | Other revenue | 6,602 | - | 11,583 | - |
| 7020 | Other gains and losses | 33,463 | - | 168,311 | 1 |
| 7050 | Financial costs | (50,690) | - | (41,288) | - |
| 7070 | Shares of profits (losses) of subsidiaries and associates accounted under the equity method | 949,708 | 6 | 243,963 | 2 |
| | | 939,569 | 6 | 383,158 | 3 |
| | **Profit before tax** | 1,481,351 | 10 | 1,198,417 | 8 |
| 7950 | **Less: income tax expense (Note 6 (16))** | (185,681) | (1) | (226,862) | (2) |
| | **Net profit for the current period** | 1,295,670 | 9 | 971,555 | 6 |
| | **Other comprehensive income (loss):** | | | | |
| 8310 | **Items that will not be reclassified to profit or loss (Note 6 (7), (15) and (17))** | | | | |
| 8311 | Remeasurement of defined benefit plans | (5,718) | - | (9,143) | - |
| 8316 | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | (5,895) | - | (3,453) | - |
| 8330 | Share of other comprehensive income from subsidiaries accounted under equity method | 440 | - | 2,211 | - |
| 8349 | Income tax related to items that will not be reclassified | - | - | - | - |
| | | (11,173) | - | (10,385) | - |
| 8360 | **Items that may be reclassified subsequently to profit or loss (Notes 6 (17))** | | | | |
| 8361 | Exchange differences arising on translation of financial statements of foreign operations | 45,647 | - | (10,524) | - |
| 8399 | Income tax related to items that may be reclassified | - | - | - | - |
| | | 45,647 | - | (10,524) | - |
| | **Other comprehensive income (loss) for the year** | 34,474 | - | (20,909) | - |
| 8500 | **Total comprehensive income (loss) for the year** | **$ 1,330,144** | **9** | **950,646** | **6** |
| | **Earnings per share (Unit: NT$, Note 6 (18))** | | | | |
| 9750 | **Basic earnings per share** | **$ 4.04** | | **3.03** | |
| 9850 | **Diluted earnings per share** | **$ 3.97** | | **2.99** | |

**(Please refer to the attached notes to the Parent Company Only Financial Statement)**

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

## BenQ Materials Corporation

**Statements of Changes in Equity**

**From January 1 to December 31, 2022 and 2021**

**Unit: NT$ thousand**

| | | | Retained earnings | | | | Other equity items | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital reserve | Legal reserve | Special reserve | Undistributed earnings | Total | Exchange differences arising on translation of financial statements of foreign operations | Unrealized profits and losses of financial assets at fair value through other comprehensive income | Remeasurement of defined benefit plans | Total | Total equity |
| **Balance as of January 1, 2021** | $ 3,206,745 | 11,427 | 277,665 | 33,896 | 876,576 | 1,188,137 | (40,946) | (20,591) | (21,997) | (83,534) | 4,322,775 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Account for legal reserve | - | - | 39,597 | - | (39,597) | - | - | - | - | - | - |
| Account for special reserve | - | - | - | 49,638 | (49,638) | - | - | - | - | - | - |
| Cash dividend of common share | - | - | - | - | (224,472) | (224,472) | - | - | - | - | (224,472) |
| Change in capital surplus from investments in associates under equity method | - | (5,619) | - | - | - | - | - | - | - | - | (5,619) |
| Disposal of equity instruments measured at fair value through other comprehensive gains and losses: | - | - | - | - | (1,134) | (1,134) | - | 1,134 | - | 1,134 | - |
| Net profit | - | - | - | - | 971,555 | 971,555 | - | - | - | - | 971,555 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (10,524) | (3,453) | (6,932) | (20,909) | (20,909) |
| Total comprehensive income (loss) for the year | - | - | - | - | 971,555 | 971,555 | (10,524) | (3,453) | (6,932) | (20,909) | 950,646 |
| **Balance as of December 31, 2021** | 3,206,745 | 5,808 | 317,262 | 83,534 | 1,533,290 | 1,934,086 | (51,470) | (22,910) | (28,929) | (103,309) | 5,043,330 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Account for legal reserve | - | - | 97,043 | - | (97,043) | - | - | - | - | - | - |
| Account for special reserve | - | - | - | 19,775 | (19,775) | - | - | - | - | - | - |
| Cash dividend of common share | - | - | - | - | (481,012) | (481,012) | - | - | - | - | (481,012) |
| Change in capital surplus from investments in associates under equity method | - | 186,544 | - | - | - | - | - | - | - | - | 186,544 |
| Difference between prices of shares acquired from subsidiaries and book value | - | - | - | - | (30,506) | (30,506) | - | - | - | - | (30,506) |
| Net profit | - | - | - | - | 1,295,670 | 1,295,670 | - | - | - | - | 1,295,670 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 45,647 | (5,895) | (5,278) | 34,474 | 34,474 |
| Total comprehensive income (loss) for the year | - | - | - | - | 1,295,670 | 1,295,670 | 45,647 | (5,895) | (5,278) | 34,474 | 1,330,144 |
| **Balance as of December 31, 2022** | $ 3,206,745 | 192,352 | 414,305 | 103,309 | 2,200,624 | 2,718,238 | (5,823) | (28,805) | (34,207) | (68,835) | 6,048,500 |

**(Please refer to the attached notes to the Parent Company Only Financial Statement)**

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

## BenQ Materials Corporation

**Statements of Cash Flows**

**From January 1 to December 31, 2022 and 2021**

**Unit: NT$ thousand**

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Profit before tax for the year** | $ 1,481,351 | 1,198,417 |
| **Adjusted items:** | | |
| Depreciation expenses | 465,399 | 425,802 |
| Amortization expenses | 39,519 | 36,481 |
| Expected credit impairment loss | 14,138 | - |
| Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss | (18,969) | 15,873 |
| Interest expenses | 50,690 | 41,288 |
| Interest revenue | (486) | (589) |
| Dividend revenue | (1,680) | (1,344) |
| Shares of profits (losses) of subsidiaries and associates accounted under the equity method | (949,708) | (243,963) |
| Losses on disposal of property, plant and equipment interests | 12,924 | - |
| Profits from disposal of investment using equity method | (64,099) | (7,814) |
| Unrealized sales profits | 51,306 | 13,596 |
| Amortization of deferred expenses transferred to expenses | 119,540 | 108,775 |
| Amortization of syndication fee costs | 3,773 | 1,900 |
| Gains on bargain purchase | - | (99) |
| Gains on lease modifications | - | (2) |
| Total adjustments to reconcile profit (loss) | (277,653) | 389,904 |
| Changes in operating assets/liabilities: | | |
| Net changes in assets related to operating activities: | | |
| Decrease (Increase) in notes and account receivable | 103,004 | (733,250) |
| Decrease in account receivable - related parties | 208,388 | 44,414 |
| Increase in other receivable | (814) | (138) |
| Decreases in other receivables - related parties | 581 | 3,178 |
| Decrease (increase) in inventories | 164,183 | (276,797) |
| Increase in other current assets | (122,065) | (110,026) |
| Total net changes in assets related to operating activities | 353,277 | (1,072,619) |
| Net changes in liabilities related to operating activities: | | |
| Decrease in accounts payable | (616,080) | (258,399) |
| Increase in account payables - related parties | 448,001 | 192,140 |
| Increase in other payables | 21,869 | 229,328 |
| Increase (decrease) in other payables - related parties | 25,230 | (8,064) |
| Increase in other current liabilities | 53,133 | 29,128 |
| Decrease in net defined benefit liability | (1,966) | (1,842) |
| Total net changes in liabilities related to operating activities | (69,813) | 182,291 |
| Total net changes in assets and liabilities related to operating activities | 283,464 | (890,328) |
| Total adjustment items | 5,811 | (500,424) |
| Cash inflow generated from operations | 1,487,162 | 697,993 |
| Interests received | 486 | 589 |
| Interests paid | (49,043) | (41,061) |
| Income tax paid | (179,989) | (10,503) |
| **Net cash inflow from operating activities** | 1,258,616 | 647,018 |

**(Continued)**

**(Please refer to the attached notes to the Parent Company Only Financial Statement)**

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

**BenQ Materials Corporation**

**Statements of Cash Flows (continued)**

**From January 1 to December 31, 2022 and 2021**

**Unit: NT$ thousand**

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Acquisition of Financial assets at fair value through other comprehensive income | (92,271) | (9,187) |
| Acquisition of investment using the equity method | (180,706) | (110,931) |
| Disposal of investment using the equity method | 83,749 | - |
| Return of capital from investments accounted for using the equity method due to capital reduction | - | 328,273 |
| Return of capital from investments accounted for using the equity method due to liquidation | - | 2,372 |
| Acquisition of property, plant, and equipment | (891,437) | (606,896) |
| Disposal of property, plant, and equipment | 200 | - |
| Decrease (decrease) in guarantee deposits paid | 2,532 | (5,734) |
| Acquisition of intangible assets | (28,192) | (44,079) |
| Increase in other financial assets | (4,551) | (943) |
| Increase in other non-current assets | (14,860) | (2,054) |
| Dividends received | 251,015 | 12,161 |
| **Net cash outflows from investing activities** | (874,521) | (437,018) |
| **Cash flows from financing activities:** | | |
| Increase in short-term borrowings | 474,660 | 426,800 |
| Proceeds from long-term borrowings | 360,350 | 3,096,690 |
| Repayments of long-term borrowings | (400,000) | (3,410,000) |
| Increase in guarantee deposits received | 300 | 80 |
| Repayments of lease principal | (99,091) | (86,645) |
| Issuance of cash dividends | (481,012) | (224,472) |
| **Net cash outflows from financing activities** | (144,793) | (197,547) |
| **Increase in cash and cash equivalents for the year** | 239,302 | 12,453 |
| **Cash and cash equivalents at beginning of the year** | 107,720 | 95,267 |
| **Cash and cash equivalents at end of the year** | **$ 347,022** | **107,720** |

**(Please refer to the attached notes to the Parent Company Only Financial Statement)**

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

**BenQ Materials Corporation**
**Notes to Parent Company Only Financial Statements**
**2022 & 2021**
**(Unless otherwise stated, the unit for all amounts is in NT$ thousands.)**

## 1. Company History

BenQ Materials Corporation (hereinafter referred to as "the Company," formerly known as Daxon Technology Inc. and had renamed in June 2010) was established on July 16, 1998, with the approval of the Ministry of Economic Affairs. The registered address is No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333403, Taiwan (R.O.C.). The main business items of the Company are manufacturing and sales of film sheet products and medical equipment.

## 2. Date and Procedures of Authorization of Financial Statements

The Parent Company Only Financial Statement was issued by the Board of Directors on February 23, 2023.

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

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

The Company has been applied to the application of the newly recognized IFRSs specified above will not have a material impact on the Individual Financial Statements since January 1, 2022.

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

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

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

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

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

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

| New or amended standards | Major amendments | The effective date of issuance by IASB |
|---|---|---|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" | The current IAS 1 stipulates that liabilities for which an enterprise has not unconditionally deferred the repayment period to at least 12 months after the reporting period shall be classified as current. The amendment to deletion of the right should be unconditional, stipulating that the right must exist on the end date of the reporting period and must be material.<br><br>The amendments clarify how companies should classify liabilities repaid by issuing their own equity instruments (such as convertible bonds). | January 1, 2024 |

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 17 "Insurance Contract"
- Amendments to IAS 1 “Non-Current Liabilities with Covenants”
- Amendments to IFRS 16 “Provisions for Sale and Leaseback Transaction”

## 4. Summary of Material Accounting Policies

The summary of the significant accounting policies used in this individual financial statement is described below. The following accounting policies have been consistently applied to all periods of the financial statements.

a. Statement of compliance

The Parent Company Only Financial Statement have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter refer to as the Regulations).

b. Basis of preparation

1) Basis of preparation

The Parent Company Only Financial Statement have been prepared on a historical cost basis except for the following significant accounts:

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

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

c) Net defined benefit liabilities (or assets) are measured by determining the present value of the benefit obligation, the net amount after deducting the fair value of pension assets, and the upper limit of the number of influences mentioned in Note 4 (17).

2) Functional Currency and Presentation Currency

The Company takes the currency of the primary economic environment in which it operates as the functional currency. The Parent Company Only Financial Statement were expressed in New Taiwan Dollars, the Company's functional currency. The unit for all amounts expressed are in thousands of NTD unless otherwise stated.

c. Foreign Currency

1) Foreign Currency Transactions

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

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

2) Foreign operating agency

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

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

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

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

The Company shall classify an asset as current when:

1) It is expected to be realized when the Company is operating, or intended to be sold or consumed in the normal operating cycle;
2) Assets are held primarily for trading purposes;
3) It is expected to be realized within twelve months after the reporting period; or
4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

e. Cash and Cash Equivalents

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

f. Financial Instruments

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

1) Financial assets

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

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

a) Financial assets measured at amortized cost

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

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

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

b) Financial assets at fair value through other comprehensive income

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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

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

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

c) Financial assets at fair value through profit or loss

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

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

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

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

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

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

e) Impairment of financial assets

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

The loss allowance of the following financial assets is measured based on the expected credit losses amount in 12 months, and the remaining are measured based on the lifetime expected credit loss amount:

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

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

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

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

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

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

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

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

When the Company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total carrying amount of its financial assets. The Company analyzes the timing and amount of the write-off individually on the basis of whether it can reasonably be expected to be recovered. The Company expects that the amount written off will not be materially reversed. However, the written-off financial assets can still be enforced to comply with the procedures for the Company to recover the overdue amount.

f) Derecognition of financial assets

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

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

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

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

b) Financial liabilities

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

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

c) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the revised liabilities, the original financial liabilities will be derecognized and new financial liabilities will be recognized at fair value based on the revised terms.

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

d) Offsetting of financial assets and financial liabilities

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

3) Derivative financial instruments

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

g. Inventory

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

h. Investment in the associates

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

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

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

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

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

The Company ceases to use the equity method from the date its investment ceases to be an associates and measures the retained interest at fair value. The difference between the fair value of the retained interest and the disposal price and the carrying amount of the investment at the date of cessation of the equity method is recognized in profit or loss for the current period. All amounts previously recognized in other comprehensive income related to the investment are accounted for on the same basis as that which would be required to be followed if the related assets or liabilities were disposed of directly by the associates, i.e. if a gain or loss previously recognized in other comprehensive income is required to be reclassified to profit or loss (or retained earnings) upon disposal of the related assets or liabilities, the gain or loss is reclassified from equity to profit or loss (or retained earnings) when the company ceases to use the equity method. If the Company's ownership interest in a related party decreases but the equity method continues to apply, the Company reclassifies the gain or loss previously recognized in other comprehensive income related to the decrease in ownership interest in the manner described above in proportion to the decrease.

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

i. Investment in Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the Parent Company Only Financial Statement. The book value of the investment subsidiary includes the goodwill identified at the time of the original investment, deduct any accumulated impairment losses. Under the equity method, the current profit and loss and other comprehensive income of the Parent Company Only Financial Statement are the same as the apportionment of the current profit and loss and other comprehensive income attributable to the owners of the parent company in the financial report prepared on the basis of consolidation, and the owner's equity of the Parent Company Only Financial Statement is the same as the owner's equity attributable to the owners of the parent company in the financial report prepared on the basis of consolidation.

Changes in the ownership and equity of the subsidiary by the Company that does not result in the loss of control shall be treated as equity transactions with the owner.

j. Property, plant and equipment

1) Recognition and measurement

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

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

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

2) Subsequent costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company

3) Depreciation

The depreciation is calculated by capital cost less scrap value and is recognized in profit or loss based on the estimated service years of each component using the straight-line method. Depreciation is not applicable to land, estimated useful life of the remaining assets are: Machinery and equipment, 3-10 years; other equipment, 2-10 years; in addition, depreciation of houses and buildings based on the estimated useful life of their major components: main buildings, 20-40 years; mechanical and electrical engineering and another engineering, 10-20 years.

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

k. Leases

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

1) Lessee

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

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

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

The lease payments comprise as follows:

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

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

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

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

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

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

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

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

The Company records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the Individual Balance Sheets.

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

2) Lessor

For transactions in which the Company is the lessor, it is to classify the tenancy agreement according to whether it transfers almost all risks and remuneration attached to the ownership of the underlying asset on the lease establishment date. If so, it is classified as a financial lease, otherwise, it is classified as an operating lease. At the time of evaluation, the Company's considerations include relevant specific indicators, such as whether it covers the main component of the economic life of the underlying asset during the lease term.

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

l. Intangible assets

Intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses. The amortization amount is calculated based on the following estimated useful life with the straight-line method, and the amortization amount is recognized in the profit and loss: purchased software, 1 to 5 years; others intangible assets, 5years.

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

m. Impairments of non-financial assets

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

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

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

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

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

n. Liability reserve

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

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

o. Revenue recognition

The Company recognizes revenue when control of the products has transferred. The transfer of control over products means that products are delivered to customers with no unfulfilled obligations that may affect customers' acceptance of the products.

Delivery occurs when the product is delivered to a specific location, the risk of loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, or the Company has objective evidence that all acceptance conditions have been met.

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

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

p. Government subsidies and government assistance

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

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

q. Employee benefits

1) Defined contribution plans

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

2) Defined benefit plans

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

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

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

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized. The gains or losses on the curtailment or settlement include any change in fair value of planned assets and current value of defined benefit obligations.

3) Short-term employee benefits

The obligation for short-term employee benefits is measured on undiscounted basis, and recognized as expense at the time of provision of relevant services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

r. Income tax

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

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

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

1) Originally recognized asset or liability not falling to the transaction of corporate consolidation, without influencing accounting profit and levy duty gain (loss) at the transaction.

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

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

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

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

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

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

s. Business mergers

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

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

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

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

t. Earnings per share

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

u. Segment Information

The Company has disclosed segment information in the consolidated financial statements, so the Parent Company Only Financial Statement do not disclose segment information.

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

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

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

Accounting policies involve significant judgments. Information that has a significant impact on the Parent Company Only Financial Statement is as follows:

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

The Company holds 14.82% of the voting shares of Visco Vision Inc which is also its single largest shareholder. Although the remaining 85.18% shareholdings of Visco are not held by specific shareholders, the Company is still unable to obtain more than half of the seats of the board of directors of Visco, and has not obtained more than half of the voting rights of shareholders present at the shareholders' meeting, thus only obtained one seat of the board directors to participate in decision-making of Visco. Therefore, it is considered that the Company has no control interest over Visco, but only has a significant influence, evaluation will be conducted by using the equity method.

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

b. Inventory Valuation

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

## 6. Descriptions of Material Accounting Items

a. Cash and Cash Equivalents

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Working capital | $ 95 | 95 |
| Demand deposit and check deposit | 346,927 | 107,625 |
| | **$ 347,022** | **107,720** |

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Mandatory financial assets- measured at fair value through profit and loss - Current: | | |
| Foreign exchange forward contracts | $ 17,316 | 1,093 |
| Exchange contracts | - | 4,815 |
| | **$ 17,316** | **5,908** |
| Financial liabilities held for transaction - current | | |
| Foreign exchange forward contracts | $ - | (9,361) |
| Exchange contracts | (1,800) | - |
| | **$ (1,800)** | **(9,361)** |

For the amount remeasured at fair value and recognized in profit or loss, please refer to Note 6 (21).

1) Derivative financial instruments

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

a) Foreign exchange forward contracts

**2022.12.31**

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

**2021.12.31**

| Contract amount (NT$ thousand) | Type of currency | Due Date |
|---|---|---|
| USD$ 6,000 | Buy RMB Call/USD Put | 2022.01.28 |
| USD 33,000 | Buy JPY Call/USD Put | 2022.01.24~2022.02.24 |
| USD 21,500 | Buy NTD Call/USD Put | 2022.01.04~2022.01.27 |

b) Exchange contracts

**2022.12.31**

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

**Dec. 31, 2021**

| Contract amount (NT$ thousand) | Type of currency | Due Date |
|---|---|---|
| USD$ 48,000 | Buy NTD Call/USD Put | 2022.01.28 |

c. Financial assets at fair value through other comprehensive income

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Equity instruments measured at fair value through other comprehensive gains and losses: | | |
| Stocks listed in the emerging stock market in Taiwan | $ 54,549 | 55,490 |
| Unlisted stocks | 96,504 | 9,187 |
| | **$ 151,053** | **64,677** |
| Current | $ 54,549 | 55,490 |
| Non-current | 96,504 | 9,187 |
| | **$ 151,053** | **64,677** |

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

In August 2021, the Company acquired an additional 8.97% equity in Coatmed Incorporation (hereinafter referred to as "Coatmed") by investing NT$4,480 thousand in cash, which has increased the Company's equity in Coatmed from 11.03% to 20%, and became a director of Coatmed with the ability to participate in decision making. Therefore, the financial assets measured at fair value through other comprehensive income were reclassified as investments accounted by using the equity method, as explained in Note 6 (7).

In 2022, no disposal of the above strategic investments was conducted and hence no transfer of cumulative profit or loss on equity was recognized.

The Company disposed of a portion of its equity instruments measured at fair value through other comprehensive profit or loss in 2021 with an accumulated loss on disposal of NT$1,134 thousand, and has transferred the aforementioned accumulated loss on disposal from other equity to retained earnings.

d. Notes and accounts receivable

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Notes receivable | $ | 8,925 | 6,357 |
| Accounts receivable | | 1,907,788 | 2,011,341 |
| Deduction: Allowance for impairment loss | | (14,263) | (125) |
| | | 1,902,450 | 2,017,573 |
| Account receivables - Related parties | | 917,223 | 1,081,494 |
| | **$** | **2,819,673** | **3,099,067** |

1) The Company adopts a simplified approach to estimate expected credit losses for all note and account receivables (including related parties), that is, the expected credit losses during the lifetime are measured, and forward-looking information has been incorporated. The expected credit loss analysis of note receivables and account receivables (including related-parties) of the Company as of December 31, 2022 and 2021 was as follows:

| | 2022.12.31 | | | |
|---|---|---|---|---|
| | Book amount of account receivables and bills | | Weighted average loss rate | Loss allowance for lifetime expected credit losses |
| Not pass due | $ | 2,736,687 | 0.0296% | 809 |
| Pass due1~30days | | 28,187 | 1.4865% | 419 |
| Pass due31-60days | | 32,501 | 2.6891% | 874 |
| Pass due61-90days | | 25,652 | 4.8807% | 1,252 |
| Past due for more than 91days | | 10,909 | 100% | 10,909 |
| | **$** | **2,833,936** | | **14,263** |

| | 2021.12.31 | | | |
|---|---|---|---|---|
| | Book amount of account receivables and bills | | Weighted average loss rate | Loss allowance for lifetime expected credit losses |
| Not pass due | **$** | **3,099,192** | 0.0040% | **125** |

2) The table of changes in allowance loss for note receivables and account receivables of the Company is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Balance at beginning of year | $ | 125 | 233 |
| Impairment loss | | 14,138 | - |
| Amounts written off as uncollectible for the year | | - | (108) |
| Balance at end of year | **$** | **14,263** | **125** |

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

**2022.12.31**

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

**2021.12.31**

| Sale object | Sale amount | Amount still available in advance | Advance amount | Shown as other receivables (Note 6 (5)) | Interest rate range | Other important matters |
|---|---|---|---|---|---|---|
| Taipei Fubon Bank | $ 210,752 | - | 186,970 | 23,782 | 0.70%~0.82% | None |
| E.Sun Bank | 168,587 | - | 151,728 | 16,859 | 0.75%~0.80% | None |
| KGI Bank | 116,177 | - | 104,559 | 11,618 | 1.00% | Guaranteed promissory note 830,400 |
| | **$ 495,516** | **-** | **443,257** | **52,259** | | **830,400** |

For information related to the transfer of related parties' rights in account receivables that meets the derecognition conditions-, please refer to Note 7.

e. Other receivables

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Other receivables - account receivables sale minus advance price balance (Note 6 (4) and 7) | $ 137,650 | 183,786 |
| Other receivables - Others | 973 | 159 |
| Other receivables—related parties | 1,703 | 2,284 |
| | 140,326 | 186,229 |
| Deduction: Allowance for loss | - | - |
| | **$ 140,326** | **186,229** |

The Company's other receivables as of December 31, 2022 and 2021 have no expected credit losses after assessment.

f. Inventory

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Raw Material | $ 979,706 | 1,145,310 |
| Work in progress | 702,768 | 782,300 |
| Finished goods | 640,376 | 559,423 |
| | **$ 2,322,850** | **2,487,033** |

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

| | 2022 | 2021 |
|---|---|---|
| Inventory cost has been sold | $ 12,206,979 | 13,614,199 |
| Reversal of allowance for inventory market price decline | 208,459 | (70,682) |
| | **$ 12,415,438** | **13,543,517** |

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

g. Investments accounted for using the equity method

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Subsidiaries | $ 2,687,292 | 1,933,875 |
| Associates | 480,749 | 221,918 |
| | **$ 3,168,041** | **2,155,793** |

1) Subsidiaries

Please refer to the Consolidated Financial Statements 2022.

2) Acquisition of a subsidiary -Cenefom Corp.

a) Acquisition of transfer consideration from subsidiaries

On October 25, 2021 (the acquisition date), the Company acquired 3,323 thousand ordinary shares of Cenefom Corp. (hereinafter referred to as “Cenefom ”) for a total consideration of NT$63,135 thousand through participating in a cash capital increase exercise, which increased the Company's shareholding in Cenefom from 12.12% to 34.83% and obtained more than half of the seats of the board of directors, thus gaining control over the company. Therefore, Cenefom has been included as one of the Company's subsidiaries from the acquisition date. Cenefom is mainly engaged in the research and development, production and sales of PVA foam medical related consumables. The Company acquired Cenefom primarily to acquire the existing customer base and related technologies and applications.

b) Acquisition of identifiable net assets

The fair value of the identifiable assets acquired and liabilities assumed by Cenefom on October 25, 2021 (acquisition date) are as follows:

| | | |
|---|---|---|
| Transfer consideration: | | |
| Cash | | $ 63,135 |
| Fair value of the original interest in the acquiree | | 20,805 |
| Non-controlling interests (measured as identifiable net assets in proportion to non-controlling interests) | | 96,694 |
| Fair value of identifiable assets acquired and liabilities assumed: | | |
| Cash and Cash Equivalents | $ 92,509 | |
| Notes and accounts receivable, net | 4,940 | |
| Inventories, net | 8,249 | |
| Other current assets | 1,317 | |
| Other financial assets - current | 1,591 | |
| Property, plant and equipment | 18,583 | |
| Intangible assets - patented technology | 54,260 | |
| Intangible assets - customer relationship | 30,012 | |
| Intangible assets - others | 134 | |
| Other non-current assets | 1,640 | |
| Guarantee deposits paid | 790 | |
| Short-term borrowings | (16,756) | |
| Long-term loan due within one year | (5,579) | |
| Notes and accounts payables | (4,165) | |
| Other payables | (5,477) | |
| Other current liabilities | (8,004) | |
| Long-term borrowings | (11,235) | |
| Deferred tax liabilities | (14,437) | 148,372 |
| Goodwill | | **$ 32,262** |

The goodwill recognized by the Company at the time of investment is included in the carrying value of investments in subsidiaries accounted for using the equity method. On the acquisition date, the Company remeasured the fair value of the 12.12% equity held by the Company prior to the acquisition date, the gains of NT$14,370 thousand on disposal has since been recognized under "other gains and losses".

3) Acquisition of a subsidiary- -Genejet Biotech Co., Ltd.

a) Acquisition of transfer consideration from subsidiaries

On October 28, 2021 (the acquisition date), the Company acquired 70% equity in Genejet Biotech Co., Ltd. (hereinafter referred to as “Genejet”) for a total consideration of NT$43,316 thousand by participating in a cash capital increase exercise, thus gaining control over the company. Therefore, Genejet is included as one of the Company's subsidiaries from the acquisition date onwards. Genejet is mainly engaged in the research and development, production and sales of tissue adhesives. The Company acquired Genejet primarily to acquire the access to existing customer base and expanding sales channels in Taiwan and Asia.

b) Acquisition of identifiable net assets

The fair value of the identifiable assets acquired and liabilities assumed by Genejet on October 28, 2021 (acquisition date) are as follows:

| Items | Amount |
|---|---|
| Cash and Cash Equivalents | $ 46,868 |
| Notes and accounts receivable, net | 314 |
| Other receivables | 72 |
| Inventories, net | 2,055 |
| Other current assets | 1,059 |
| Property, plant and equipment | 1,058 |
| Right-of-use assets | 4,096 |
| Intangible assets - patented technology | 9,496 |
| Intangible assets - customer relationship | 4,913 |
| Intangible assets - others | 274 |
| Other non-current assets | 2,359 |
| Guarantee deposits paid | 148 |
| Notes and accounts payables | (877) |
| Other payables | (1,791) |
| Other current liabilities | (994) |
| Lease liabilities- current | (777) |
| Lease liabilities- non-current | (3,333) |
| Other non-current liabilities | (37) |
| Deferred tax liabilities | (2,881) |
| Fair value of identifiable net assets | **$ 62,022** |

c) Gains on bargain purchase

The gains on bargain purchase recognized from acquisition were as follows:

| | |
|---|---|
| Transfer consideration- cash | $ 43,316 |
| Add: Non-controlling interests (measured at fair value of identifiable net assets in proportion to non-controlling interests) | 18,607 |
| Less: Fair value of identifiable net assets | (62,022) |
| Gains on bargain purchase (recorded under “other gains or losses”) | **$ (99)** |

4) Goodwill impairment test

The investment cost of long-term equity acquired by using the equity method, if exceeding the fair value of identifiable assets and liabilities of the investee on the acquisition date, the exceeded amount shall be recognized as goodwill, if there is goodwill impairment, it shall be recognized as a decrease in the book value in investment by using the equity method. As of December 31, 2022 and 2021, goodwill derived from the acquisition of Cenefom is taken as cash generating unit under individual subsidiaries, as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Cenefom | $ 32,262 | 32,262 |

The above-mentioned cash generating units are the smallest units under the return on investment of assets (including goodwill) supervised by the management. Based on the results of the goodwill impairment test of the above cash generating units carried out by the Company, the recoverable amount of the above cash generating units as of December 31, 2022 and 2021 is higher than their book value, so there is no need to recognize the impairment loss. The recoverable amount of each of the cash generating units is determined based on the value in use, and the relevant key assumptions are as follows:

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Cenefom: | | |
| Operating Revenue Growth Rate | 2%~77% | 2%~54% |
| Discount rate | 22.96% | 17.08% |

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

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

5) Associates

| | | | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|---|---|
| Name of associates | Nature of Relationship with the Company | Principal business place/country of incorporation | Voting rights% | Book amount | Voting rights% | Book amount |
| Visco Vision Inc. (Visco Vision) | Its main business is to manufacturer and sell disposable contact lenses, and it is a strategic partner of the Company. | Taiwan | 14.82% | 471,428 | 17.97% | 213,301 |
| MLK Bioscience Co., Ltd. (MLK) | Its main business is to research, develop and sell medical devices, and it is a strategic partner of the Company. | Taiwan | 20.00% | 4,347 | 20.00% | 4,546 |
| Coatmed Incorporation (Coatmed) | Its main business is to sell medical devices, and it is a strategic partner of the Company. | Taiwan | 9.98% | 4,974 | 20.00% | 4,071 |
| | | | | $ 480,749 | | 221,918 |

In November 2022, the Company disposed of a portion of Visco Vision Inc's equities with a cash consideration of NT$ 84,000 thousand, resulting in a disposal investment gains of NT$67,230 thousand. In addition, the Company did not participate in the capital increase exercise initiated by Visco Vision Inc in

November 2022, which have diluted the Company's equity in Visco Vision Inc to 14.82% (however this did not lead to the loss of significant control in Visco Vision Inc), resulting in an increase in the capital reserve of NT$184,705 thousand and a disposal investment loss of NT$3,131 thousand.

The Company did not participate in the capital increase exercise initiated by Coatmed Corporation (herein after referred to as "Coatmed") in October 2022, which have diluted the Company's equity in Coatmed to 9.98%, however this did not lead to the loss of significant control in Coatmed, the Company is still the director in Coatmed and involved in decision making.

In August 2021, the Company invested additional equity of Coatmed with the cash amount of NT$4,480 thousand, which increased the Company's equity holding in Coatmed from 11.03% to 20%, and served as the director of the Company and had the ability to participate in decision-making, thus gaining significant influence and adopting the equity method for evaluation.

Taike Biotech Co., Ltd. was dissolved by a resolution of shareholders' meeting held on January 28, 2021, liquidation procedures are under process, this have caused the Company to lose significant influence on Taike Biotech and resulted in a disposal investment loss of NT$6,556 thousand.

Net profit of associates in 2022 and 2021 was NT$110,101 thousand and NT$71,259 thousand respectively.

The fair value of associates which have materiality to the Company that shares being listed (quoted) are as follows:

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Visco Vision | $ | 2,655,458 | - |

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

The summary of financial information of associates that have materiality to the Company are as follows:

a) Aggregated financial information of Visco Vision

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Current assets | $ | 2,651,705 | 998,933 |
| Non-current assets | | 2,642,290 | 2,130,462 |
| Current liabilities | | (956,308) | (1,039,710) |
| Non-current liabilities | | (1,228,947) | (976,368) |
| Net assets | **$** | **3,108,740** | **1,113,317** |
| Net assets attributable to non-controlling interests | **$** | **24,528** | **-** |
| Net assets attributable to owners of the investee company | **$** | **3,084,212** | **1,113,317** |

| | | 2022 | 2021 |
|---|---|---|---|
| Operating revenue | **$** | **2,777,524** | **1,964,499** |

| | | | |
|---|---|---|---|
| Net profit for the current period | $ | 614,009 | 443,632 |
| Other comprehensive income (loss) | | 96,671 | (106,011) |
| Total comprehensive income | **$** | **710,680** | **337,621** |
| Total comprehensive profit or loss attributable to non-controlling interests | **$** | **(3,422)** | **-** |
| Total comprehensive profit or loss attributable to the owners of the investee company | **$** | **714,102** | **337,621** |

| | | 2022 | 2021 |
|---|---|---|---|
| The Company's shares in the net assets of associates at the beginning of the period | $ | 213,301 | 168,232 |
| Net profits attributable to the Company in the current period | | 111,231 | 75,152 |
| Other comprehensive income attributable to the Company in the current period | | 16,392 | (19,266) |
| Capital reserve attributable to the Company in the current period | | 184,705 | - |
| Dividends received from associates in the current period | | (39,335) | (10,817) |
| Disposal of associates in the current period | | (14,866) | - |
| Book value of the Company's equity in associates at the end of the period | **$** | **471,428** | **213,301** |

b) The aggregate financial information of individual insignificant associates under the equity method of the Company is as follows, and such financial information is the amount included in Parent Company Only Financial Statements of the Company:

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Aggregate book value of equity of individual insignificant associates at the end of the period | **$** | **9,321** | **8,617** |

| | | 2022 | 2021 |
|---|---|---|---|
| Share attributable to the Company: | | | |
| Net loss of the period | $ | (1,130) | (3,893) |
| Other comprehensive income (loss) | | (5) | 1 |
| Total comprehensive income | **$** | **(1,135)** | **(3,892)** |

h. Changes in ownership interest in subsidiaries — Acquisition of additional equity interests in subsidiaries

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

The effects of the above equity changes in subsidiaries on the Company's equity are as follows:

| | 2022 | 2021 |
|---|---|---|
| Retained earnings - difference between the price of equity acquired or disposed of by the subsidiary and the book value | **$ (30,506)** | **-** |

i. Property, plant and equipment

| | Land | Housing and structures | Machinery equipment | Others | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balance as of January 1, 2022 | $ 1,344,108 | 2,521,091 | 5,065,975 | 2,089,656 | 11,020,830 |
| Addition | - | 25,580 | 183,341 | 583,651 | 792,572 |
| Disposal | - | - | (168,212) | (4,586) | (172,798) |
| Reclassification | - | - | 146,298 | (149,300) | (3,002) |
| Balance as of December 31, 2022 | **$ 1,344,108** | **2,546,671** | **5,227,402** | **2,519,421** | **11,637,602** |
| Balance as of January 1, 2021 | $ 1,344,108 | 2,114,986 | 4,720,010 | 2,132,600 | 10,311,704 |
| Addition | - | 82,646 | 245,074 | 394,248 | 721,968 |
| Disposal | - | - | (9,900) | (996) | (10,896) |
| Reclassification | - | 323,459 | 110,791 | (436,196) | (1,946) |
| Balance as of December 31, 2021 | **$ 1,344,108** | **2,521,091** | **5,065,975** | **2,089,656** | **11,020,830** |
| Accumulated depreciation: | | | | | |
| Balance as of January 1, 2022 | $ - | 1,388,787 | 4,431,663 | 1,590,310 | 7,410,760 |
| Depreciation for the period | - | 83,543 | 188,481 | 103,651 | 375,675 |
| Disposal | - | - | (155,088) | (4,586) | (159,674) |
| Balance as of December 31, 2022 | **$ -** | **1,472,330** | **4,465,056** | **1,689,375** | **7,626,761** |
| Balance as of January 1, 2021 | $ - | 1,299,394 | 4,269,000 | 1,513,950 | 7,082,344 |
| Depreciation for the period | - | 89,393 | 172,563 | 77,356 | 339,312 |
| Disposal | - | - | (9,900) | (996) | (10,896) |
| Balance as of December 31, 2021 | **$ -** | **1,388,787** | **4,431,663** | **1,590,310** | **7,410,760** |
| Carrying Value: | | | | | |
| December 31, 2022 | **$ 1,344,108** | **1,074,341** | **762,346** | **830,046** | **4,010,841** |
| December 31, 2021 | **$ 1,344,108** | **1,132,304** | **634,312** | **499,346** | **3,610,070** |
| January 1, 2021 | **$ 1,344,108** | **815,592** | **451,010** | **618,650** | **3,229,360** |

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

j. Right-of-use assets

| | | Housing and structures |
|---|---|---|
| Right-of-use assets cost: | | |
| Balance as of January 1, 2022 | $ | 478,716 |
| Addition | | 474,749 |
| Derecognition in the current period | | (414,447) |
| Balance as of December 31, 2022 | **$** | **539,018** |
| Balance as of January 1, 2021 | $ | 426,530 |
| Addition | | 52,575 |
| Lease modifications | | (389) |
| Balance as of December 31, 2021 | **$** | **478,716** |
| Accumulated depreciation of right-of-use assets: | | |
| Balance as of January 1, 2022 | $ | 340,698 |
| Depreciation for the period | | 89,724 |
| Derecognition in the current period | | (414,447) |
| Balance as of December 31, 2022 | **$** | **15,975** |
| Balance as of January 1, 2021 | $ | 254,281 |
| Depreciation for the period | | 86,490 |
| Lease modifications | | (73) |
| Balance as of December 31, 2021 | **$** | **340,698** |
| Carrying Value: | | |
| December 31, 2022 | **$** | **523,043** |
| December 31, 2021 | **$** | **138,018** |
| January 1, 2021 | **$** | **172,249** |

k. Intangible assets

| | | Purchased software | Others | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance as of January 1, 2022 | $ | 259,601 | 512 | 260,113 |
| Separate acquisition | | 28,192 | - | 28,192 |
| Reclassification | | 3,002 | - | 3,002 |
| Balance as of December 31, 2022 | **$** | **290,795** | **512** | **291,307** |
| Balance as of January 1, 2021 | $ | 213,576 | 512 | 214,088 |
| Separate acquisition | | 44,079 | - | 44,079 |
| Reclassification | | 1,946 | - | 1,946 |
| Balance as of December 31, 2021 | **$** | **259,601** | **512** | **260,113** |
| Accumulated amortization: | | | | |
| Balance as of January 1, 2022 | $ | 228,967 | 512 | 229,479 |
| Amortization for the year | | 39,519 | - | 39,519 |
| Balance as of December 31, 2022 | **$** | **268,486** | **512** | **268,998** |
| Balance as of January 1, 2021 | $ | 192,546 | 452 | 192,998 |
| Amortization for the year | | 36,421 | 60 | 36,481 |
| Balance as of December 31, 2021 | **$** | **228,967** | **512** | **229,479** |
| Carrying Value: | | | | |
| December 31, 2022 | **$** | **22,309** | **-** | **22,309** |
| December 31, 2021 | **$** | **30,634** | **-** | **30,634** |
| January 1, 2021 | **$** | **21,030** | **60** | **21,090** |

l. Short-term borrowings

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Unsecured bank loans | **$** | **1,051,460** | **576,800** |
| Unused credit line | **$** | **7,569,915** | **8,621,179** |
| Interest rate range | | **1.37%~4.80%** | **0.75%~0.83%** |

m. Long-term borrowings

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Unsecured bank loans | $ | 1,265,488 | 1,003,330 |
| Secured bank loans | | - | 300,000 |
| Less: Long-term borrowings due within one year | | (181,486) | - |
| Total | **$** | **1,084,002** | **1,303,330** |
| Unused credit line | **$** | **5,796,100** | **3,497,000** |
| Expiration year | | 2023~2030 | 2023~2030 |
| Interest rate range | | **1.63~1.68%** | **1.25%~1.30%** |

1) Collateral for bank loans

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

2) Government low-interest loans

The Company obtained low-interest bank loans in accordance with the "Key Points Welcoming Taiwanese Businessmen to Return to Taiwan Investment Project Loans" at the beginning of 2020, the actual repayment preferential interest rate as of December 31, 2022 and 2021 are 1.13%~1.18% and 0.75%~0.80%, respectively. The actual amount of transfer amounted to NT$1,278,350 thousand and NT$1,018 thousand, respectively. The fair value of the loan was NT$1,253,770 thousand and NT$996,484 thousand based on market interest rates of 1.63-1.68% and 1.25% -1.30%respectively, and the difference of NT$ 24,580 thousand and NT$ 21,516 thousand, respectively, are considered as government subsidies and recognized as deferred income. In 2022 and 2021, the amount of the aforementioned deferred income transferred to "other income" amounted to NT$4,872 thousand and NT$4,082 thousand, respectively.

3) Financial ratio agreement in loan contract

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

The financial ratios of the Company as of December 31, 2022 and 2021 were in compliance with the agreed standards of the joint loan contract.

n. Lease liabilities

The carrying amount of lease liabilities is as follows:

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Current: | | | |
| Related parties | $ | 91,746 | 91,779 |
| Non-related parties | $ | 6,966 | 7,088 |
| Non-current: | | | |
| Related parties | $ | 382,780 | - |
| Non-related parties | $ | 42,217 | 49,184 |

Please refer to financial risk management of Note 6 (23) for expiry analysis.

The amounts recognized in profit or loss were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Short-term lease expense | $ | 5,044 | 3,088 |
| Interest expense – lease obligations payable | $ | 1,851 | 2,957 |

The amounts recognized in the statements of cash flows are:

| | | 2022 | 2021 |
|---|---|---|---|
| Total cash flows on lease | $ | 105,986 | 92,690 |

1) Lease of buildings and constructions

The Company leases houses and buildings as factories and dormitory with the lease term of five to ten years usually. If the lease expires, a new contract and rate must be negotiated, the Company will reassess the relevant right-of-use assets and lease liabilities.

2) Other leases

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

o. Employee benefits

1) Defined benefit plans

The reconciliation between the present value of the defined benefit obligations and the fair value of the plan assets of the Company is as follows:

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Present value of defined benefit obligations | $ | 70,097 | 60,559 |
| Fair value of plan assets | | (50,266) | (44,480) |
| Net defined benefit liabilities (listed as other non-current liabilities) | **$** | **19,831** | **16,079** |

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

a) Composition of plan assets

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

As of December 31, 2022 and 2021, the balances of the Taiwan Bank's special account for labor retirement reserves of the Company were NT$50,266 thousand and NT$44,480 thousand, respectively. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

| | | 2022 | 2021 |
|---|---|---|---|
| Service cost and interest of the period | $ | 60,559 | 51,269 |
| Current interest cost | | 454 | 384 |
| Remeasurement of net defined benefit liabilities | | | |
| — Actuarial profits and losses due to experience adjustments | | 2,239 | 7,641 |
| — Actuarial profits or losses arising out of changes in financial assumptions | | 6,845 | 1,935 |
| Benefits that are planned to pay | | - | (670) |
| Service cost and interest of the end period | **$** | **70,097** | **60,559** |

c) Changes in the fair value of planned assets

| | | 2022 | 2021 |
|---|---|---|---|
| Fair value of plan assets at beginning period | $ | 44,480 | 42,491 |
| Interest revenue | | 341 | 326 |
| Remeasurement of net defined benefit liabilities | | | |
| －Actuarial profits or losses | | 3,366 | 433 |
| Funds contributed by the employer | | 2,079 | 1,900 |
| Benefits paid by the plan | | - | (670) |
| Fair value of plan assets at end period | **$** | **50,266** | **44,480** |

d) Change of asset upper limit impacts

The Company did not determine the impact of the maximum number of assets of the defined benefit plans in 2022 and 2021.

e) Expenses recognized in profit or loss

| | | 2022 | 2021 |
|---|---|---|---|
| Net interest on net defined benefit liability assets | **$** | **113** | **58** |
| Operating costs | $ | 59 | 80 |
| Operating Expenses | | 54 | (22) |
| | **$** | **113** | **58** |

f) Re-measurements of the net defined benefit liability recognized as other comprehensive revenue

| | | 2022 | 2021 |
|---|---|---|---|
| Accumulated balance at beginning period | $ | (30,106) | (20,963) |
| Recognition of the period | | (5,718) | (9,143) |
| Accumulated balance at end of period | **$** | **(35,824)** | **(30,106)** |

g) Actuarial assumptions

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Discount rate | 2.000% | 0.750% |
| Future salary increases rate | 4.00% | 2.00% |

The Company expects to pay NT$2,122 thousand to the defined benefit plan within one year after the reporting date in 2022. The weighted average duration of defined benefit plans is 17.86 years.

h) Sensitivity analysis

| | Impact on defined benefit obligations | |
|---|---|---|
| | **Increase by 0.25%** | **Decrease by 0.25%** |
| December 31, 2022 | | |
| Discount rate | (2,548) | 2,657 |
| Future salary increases rate | 2,568 | (2,477) |
| December 31, 2021 | | |
| Discount rate | (2,342) | 2,448 |
| Future salary increases rate | 2,375 | (2,286) |

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

2) Defined contribution plans

The definite allocation plan of the Company is in accordance with the provisions of the Labor Pension Regulations, and is allocated to the labor pension individual account of the Labor Insurance Bureau at a rate of 6% of the labor's monthly salary. CMP's contributions to the Bureau of Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

The details of the following methods for determining the appropriation of pensions are as follows:

| | **2022** | **2021** |
|---|---|---|
| Operating costs | $ 37,693 | 35,329 |
| Operating Expenses | 26,882 | 22,163 |
| | **$ 64,575** | **57,492** |

p. Income tax

1) Income tax expense

| | 2022 | 2021 |
|---|---|---|
| Income tax expenses of the period | | |
| Accrued in current year | $ 145,844 | 134,770 |
| Adjustments to income tax expenses of precious period | (12,234) | (22,368) |
| | 133,610 | 112,402 |
| Deferred income tax expenses | | |
| Occurrence and reversal of temporary differences | 52,071 | 32,733 |
| Changes in unrecognized temporary differences | - | 81,727 |
| | 52,071 | 114,460 |
| Income tax expense | **$ 185,681** | **226,862** |

There was no income tax that was directly recognized in equity or other comprehensive income for the Company in 2022 and 2021.

The reconciliation of income tax expenses and income before income tax for 2022 and 2021 were as follows:

| | **2022** | **2021** |
|---|---|---|
| Profit before tax | **$ 1,481,351** | **1,198,417** |
| Income tax calculated by domestic tax rate of the Company's domicile | $ 296,270 | 239,683 |
| Domestic investment gains recognized under equity method | (57,096) | (14,288) |
| Non-deductible impairment and expenses | 11,334 | 7,395 |
| Gains from tax exemption | (13,156) | - |
| Changes in unrecognized temporary differences | - | 81,727 |
| Investment deduction | (51,904) | (61,595) |
| Previous income tax adjustment | 233 | (26,060) |
| Income tax expense | **$ 185,681** | **226,862** |

2) Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities of 2022 and 2021 are as follows:

Deferred income tax assets:

| | | Allowance for loss of inventory depreciation | Fixed asset tax differential | Allowance for sales discount | Others | Total |
|---|---|---|---|---|---|---|
| **January 1, 2022** | $ | 54,827 | 28,079 | 12,563 | 48,672 | 144,141 |
| (Debit) credit revenue statement | | 41,692 | 414 | 5,014 | 29,277 | 76,397 |
| **December 31, 2022** | **$** | **96,519** | **28,493** | **17,577** | **77,949** | **220,538** |
| **January 1, 2021** | $ | 68,964 | 25,709 | 7,921 | 34,759 | 137,353 |
| (Debit) credit revenue statement | | (14,137) | 2,370 | 4,642 | 13,913 | 6,788 |
| **December 31, 2021** | **$** | **54,827** | **28,079** | **12,563** | **48,672** | **144,141** |

Deferred tax liabilities:

| | | Share of profit from subsidiaries accounted under equity method | Others | Total |
|---|---|---|---|---|
| **January 1, 2022** | $ | 116,231 | 7,542 | 123,773 |
| Debit (credit) income statement | | 132,846 | (4,378) | 128,468 |
| **December 31, 2022** | **$** | **249,077** | **3,164** | **252,241** |
| **January 1, 2021** | $ | - | 2,525 | 2,525 |
| Debit (credit) income statement | | 116,231 | 5,017 | 121,248 |
| **December 31, 2021** | **$** | **116,231** | **7,542** | **123,773** |

3) Income tax approved

The ROC income tax authorities have examined the Company's income tax returns up to 2020.

q. Capital and other equity

1) Common stock

As of December 31, 2022 and 2021, the total value of nominal capital stock amounted to NT$4,800,000 thousand and NT$4,000,000 thousand respectively, with a par value of NT$10 per share, consisting of 480,000 thousand and 400,000 thousand shares respectively. There were 320,675 thousand of ordinary shares being issued.

2) Capital reserve

The details of capital reserve were as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|

| | | |
|---|---|---|
| Changes in net equity of associates accounted under equity method | **$ 192,352** | **5,808** |

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

3) Retained earnings

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

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

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

a) Legal reserve

When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in amount.

b) Special reserve

According to regulations of Financial Supervisory Commission, when the Company distributes the distributable surplus, the net deduction of other shareholders' equity in the current year is reported, and the same amount of special reserve is drawn from the current profit and loss and the undistributed surplus in the previous period; for the deduction of other shareholders' equity accumulated in the previous period, the same amount of special reserve shall not be distributed from the undistributed surplus in the previous period. If other stockholders' equity deductions are reversed afterward, the reversal may be applicable for the appropriation of earnings.

c) Earnings distribution

The 2021 and 2020 distributions of earnings were resolved at the directors' meetings held on May 3, 2022 and May 6, 2021, respectively, the cash dividends distributions are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Earnings Per Share (NT$)** | **Amount** | **Earnings Per Share (NT$)** | **Amount** |
| Dividends to ordinary shareholders: | | | | |
| Cash | $ 1.50 | **481,012** | 0.70 | **224,472** |

The 2022 distributions of earnings were resolved at the directors' meetings held on February 23, 2023, the cash dividends distributions are as follows:

| | 2022 | |
|---|---|---|
| | **Earnings Per Share (NT$)** | **Amount** |
| Dividends to ordinary shareholders: | | |
| Cash | $ 2.00 | **641,349** |

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

4) Other equity (after tax)

| | Exchange differences arising on translation of financial statements of foreign operations | Remeasurement of defined benefit plans | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | Total |
|---|---|---|---|---|
| January 1, 2022 | $ (51,470) | (28,929) | (22,910) | (103,309) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| The Combined Company | 24,476 | - | - | 24,476 |
| Associates | 16,387 | - | - | 16,387 |
| Remeasurement of defined benefit plans | - | (5,718) | - | (5,718) |
| The re-measured share of the defined benefit plans of the subsidiary adopting the equity method | - | 440 | - | 440 |
| Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | - | - | (5,895) | (5,895) |
| Proceeds from the disposal of Associates accounted under equity method | 4,784 | - | - | 4,784 |
| Balance as of December 31, 2022 | **$ (5,823)** | **(34,207)** | **(28,805)** | **(68,835)** |
| January 1, 2021 | $ (40,946) | (21,997) | (20,591) | (83,534) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| The Combined Company | 8,741 | - | - | 8,741 |
| Associates | (19,265) | - | - | (19,265) |
| Remeasurement of defined benefit plans | - | (9,143) | - | (9,143) |
| The re-measured share of the defined benefit plans of the subsidiary adopting the equity method | - | 2,211 | - | 2,211 |
| Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | - | - | (3,453) | (3,453) |
| Disposal of financial assets at fair value through other comprehensive income | - | - | 1,134 | 1,134 |
| Balance as of December 31, 2021 | **$ (51,470)** | **(28,929)** | **(22,910)** | **(103,309)** |

r. Earnings per share

1) Basic earnings per share

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to holders of common equity of the Company | $ **1,295,670** | **971,555** |
| The weighted average number of shares outstanding (thousand shares) | **320,675** | **320,675** |
| Basic earnings per share (NT$) | $ **4.04** | **3.03** |

2) Diluted earnings per share

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to holders of common equity of the Company | $ **1,295,670** | **971,555** |
| The weighted average number of shares outstanding (thousand shares) | 320,675 | 320,675 |
| Effect of potentially dilutive shares of common stocks (thousand shares): | | |
| Impact of employee compensation | 5,780 | 3,809 |
| The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact) | **326,455** | **324,484** |
| Diluted earnings Per Share (NT$) | $ **3.97** | **2.99** |

s. Revenue from contracts with customers

1) Disaggregation of revenue

| | 2022 | | |
|---|---|---|---|
| | **Film sheet segment** | **Other sectors** | **Total** |
| Primary geographical markets: | | | |
| China | $ 9,059,066 | 521,489 | 9,580,555 |
| Taiwan | 4,170,114 | 355,895 | 4,526,009 |
| Others | 303,992 | 370,074 | 674,066 |
| | $ **13,533,172** | **1,247,458** | **14,780,630** |
| Main products/services: | | | |
| Functional sheet | $ 13,533,172 | - | 13,533,172 |
| Others | - | 1,247,458 | 1,247,458 |
| | $ **13,533,172** | **1,247,458** | **14,780,630** |

| | 2021 | | |
|---|---|---|---|
| | Film sheet segment | Other sectors | Total |
| Primary geographical markets: | | | |
| China | $ 9,961,030 | 475,681 | 10,436,711 |
| Taiwan | 4,437,775 | 523,091 | 4,960,866 |
| Others | 285,172 | 215,601 | 500,773 |
| | **$ 14,683,977** | **1,214,373** | **15,898,350** |
| Main products/services: | | | |
| Functional sheet | $ 14,683,977 | - | 14,683,977 |
| Others | - | 1,214,373 | 1,214,373 |
| | **$ 14,683,977** | **1,214,373** | **15,898,350** |

2) Contract balances

| | 2022.12.31 | 2021.12.31 | 2021.1.1 |
|---|---|---|---|
| Notes receivables and accounts receivables (including related parties) | $ 2,833,936 | 3,099,192 | 2,375,238 |
| Deduction: Allowance for loss | (14,263) | (125) | (233) |
| Total | **$ 2,819,673** | **3,099,067** | **2,375,005** |

| | 2022.12.31 | 2021.12.31 | 2021.1.1 |
|---|---|---|---|
| Contract liabilities (accounted under other current liabilities) | **$ 35,107** | **6,958** | **21,711** |

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

Amount of contract liabilities for the period starting from January 1, 2022 and 2021, recognized as income in 2022 and 2021, were N$3,929 thousand and NT$14,078 thousand, respectively.

t. Employee and directors' compensation

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

In 2022 and 2021, the Company's employee bonus was set aside for NT$165,978 thousand and NT$134,276 thousand, respectively, and the director's bonus was set aside for NT$12,448 thousand and NT$10,071 thousand, which are estimated on the basis of the Company's pre-tax net profit before deducting the bonus of employees and directors in each period multiplied by the distribution percentage of the bonus of employees and directors stipulated in the Articles of Incorporation of the Company, and reported as the operating cost or expenses of 2022 and 2021. Upon any variance between the distribution of next year and the estimated amount, a change of accounting estimate shall follow and recognize in the profit or loss of next year. The compensation for employees and directors of the Company decided by the Board of Directors is not different from the estimated amount in the Company's Individual Financial Statements for the year of 2022 and 2021, and it is issued in cash. For the relevant information, please refer to the public information observatory Inquire.

u. Non-Operating Profit and Loss

1) Interest revenue

| | 2022 | 2021 |
|---|---|---|
| Interests on bank deposits | $ 486 | 589 |

2) Other revenue

| | 2022 | 2021 |
|---|---|---|
| Dividend revenue | $ 1,680 | 1,344 |
| Government subsidy revenue | 4,922 | 10,239 |
| | $ 6,602 | 11,583 |

3) Other gains and losses

| | 2022 | 2021 |
|---|---|---|
| Losses on disposal of property, plant and equipment interests | $ (12,924) | - |
| Net Profits from disposal of investment | 64,099 | 7,814 |
| Net profits from foreign currency exchange | 280,596 | 212,013 |
| Net losses from financial assets (liabilities) measured at fair value through profits (losses) - Derivative instruments | (292,307) | (58,685) |
| Gains from bargain purchase (Note 6(7)) | - | 99 |
| Others | (6,001) | 7,070 |
| | $ 33,463 | 168,311 |

4) Financial costs

| | 2022 | 2021 |
|---|---|---|
| Interest expenses of bank loans | $ (48,839) | (38,331) |
| Lease liabilities | (1,851) | (2,957) |
| | $ (50,690) | (41,288) |

v. Types of financial instruments and fair value

1) Types of financial instruments

a) Financial assets

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Financial assets at fair value through profit or loss: | | |
| Foreign exchange forward contracts | $ 17,316 | 1,093 |
| Exchange contracts | - | 4,815 |
| Subtotal | 17,316 | 5,908 |
| Financial assets at fair value through other comprehensive income | 151,053 | 64,677 |
| Financial assets at amortized cost: | | |
| Cash and Cash Equivalents | 347,022 | 107,720 |
| Note receivables, account receivables, and other receivables (including related parties) | 2,959,999 | 3,285,296 |
| Other financial assets -Current | 10,464 | 5,913 |
| Guarantee deposits paid | 6,919 | 9,451 |
| Subtotal | 3,324,404 | 3,408,380 |
| Total | $ 3,492,773 | 3,478,965 |

b) Financial liabilities

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Financial liabilities at fair value through profit and loss: | | |
| Foreign exchange forward contracts | $ - | 9,361 |
| Exchange contracts | 1,800 | - |
| Subtotal | 1,800 | 9,361 |
| Financial liabilities measured at amortized cost: | | |
| Short-term borrowings | 1,051,460 | 576,800 |
| Account payables and other payables (including related parties) | 4,524,457 | 4,742,657 |
| Long-term borrowings (including loans due within one year) | 1,265,488 | 1,303,330 |
| Lease liabilities - Current and non-current (including related parties) | 523,709 | 148,051 |
| Guarantee deposits received | 630 | 330 |
| Subtotal | 7,365,744 | 6,771,168 |
| Total | $ 7,367,544 | 6,780,529 |

2) Information of fair value

a) Financial instruments that are not measured at fair value

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

b) Financial instruments measured at fair value

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

i. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

ii. Level 2: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., price) or indirectly (i.e., derived from prices).

iii. Level 3: Level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable parameters).

| | 2022.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Book amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at fair value through profit or loss: | | | | | |
| Foreign exchange forward contracts | $ 17,316 | - | 17,316 | - | 17,316 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | 54,549 | - | 54,549 | - | 54,549 |
| Non-listed Stocks | $ 96,504 | - | - | 96,504 | 96,504 |
| Subtotal | 151,053 | - | 54,549 | 96,504 | 151,053 |
| Financial liabilities at fair value through profit and loss: | | | | | |
| Exchange contracts | $ (1,800) | - | (1,800) | - | (1,800) |

| | 2021.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Book amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at fair value through profit or loss: | | | | | |
| Foreign exchange forward contracts | $ 1,093 | - | 1,093 | - | 1,093 |
| Exchange contracts | 4,815 | - | 4,815 | - | 4,815 |
| | 5,908 | - | 5,908 | - | 5,908 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | $ 55,490 | - | 55,490 | - | 55,490 |
| Non-listed Stocks | 9,187 | - | - | 9,187 | 9,187 |
| Subtotal | $ 64,677 | - | 55,490 | 9,187 | 64,677 |
| Financial liabilities at fair value through profit and loss: | | | | | |
| Foreign exchange forward contracts | $ (9,361) | - | (9,361) | - | (9,361) |

3) The assessment methods and assumptions followed for assessing fair value

a) Non-derivative financial instruments

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

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

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

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

b) Derivative financial instruments

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

4) Fair value level and transfer

The Company did not have any financial assets and liabilities transferred in the fair value hierarchy in 2022 and 2021.

5) Statement of changes in Level 3 fair value hierarchy:

Financial assets at fair value through other comprehensive income:

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | $ 9,187 | 1,500 |
| Purchase of the period | 92,271 | 9,187 |
| Changes in other comprehensive income recognized in the current period | (4,954) | (1,134) |
| Reclassification of investments accounted for using the equity method | - | (366) |
| Balance at end of year | **$ 96,504** | **9,187** |

w. Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including exchange rate risk, interest rate risk, and equity instrument price risk) due to its business activities. This note demonstrates the risk information of the aforementioned various risks of the Company, and the Company's policies and procedures for measuring and managing these risks, and quantitative disclosure.

The Board of Directors of the Company is responsible for developing and controlling the risk management policy of the Company. The establishment of the risk management policy is to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are reviewed regularly to reflect changes market conditions and the Company's activities.

The Board of Directors of the Company is responsible for developing and controlling the risk management policy of the Company. The establishment of the risk management policy is to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits.

1) Credit risk

Credit risk refers to the risk of the financial loss of the Company due to the failure of the counterparty to perform the contractual obligations. As of the financial report date, the main potential credit risk of the Company comes from financial assets such as bank deposits and accounts receivable from customers. The book value of the Company's financial assets represents the maximum credit risk amount.

The deposits and derivative financial products of the Company are traded in banks with good credit, and no significant credit risk will arise.

Due to the characteristics of the industry, the film sheet products of the Company are concentrated in a small number of customers, which makes the Company have a significant concentration of credit risk. As of December 31, 2022 and 2021, the ratio of the top five customers in the balance of accounts receivable (including related parties) were 43% and 53%, respectively. The Company has established a credit policy, according to which each customer's credit status is analyzed individually to determine its credit limit, and the customer's financial status is continuously evaluated on a regular basis and insurance is used to reduce risks.

2) Liquidity Risks

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

The unused loan amounts of the Company as of December 31, 2022 and 2021 amounted at NT$13,366,015 thousand and NT$12,118,179 thousand, respectively.

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

| | Contract cash flow | Within 6 months | 6-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|
| **December 31, 2022** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | $ 1,056,403 | 854,991 | 201,412 | - | - |
| Account payables (including related parties) | 3,334,042 | 3,334,042 | - | - | - |
| Other payables (including related parties) | 1,190,415 | 1,190,415 | - | - | - |
| Long-term borrowings (Floating rate) | 1,327,529 | 68,641 | 130,497 | 886,503 | 241,888 |
| Lease liabilities (including related parties) | 549,377 | 53,639 | 53,639 | 420,571 | 21,528 |
| Guarantee deposits received | 630 | - | - | - | 630 |
| | $ 7,458,396 | 5,501,728 | 385,548 | 1,307,074 | 264,046 |
| Derivative financial instruments | | | | | |
| Exchange contracts - Net delivery | $ 1,800 | 1,800 | - | - | - |
| **December 31, 2021** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | $ 579,091 | 278,048 | 301,043 | - | - |
| Account payables (including related parties) | 3,502,121 | 3,502,121 | - | - | - |
| Other payables (including related parties) | 1,240,536 | 1,240,536 | - | - | - |
| Long-term borrowings (Floating rate) | 1,359,842 | 5,787 | 5,838 | 1,106,898 | 241,319 |
| Lease liabilities (including related parties) | 153,681 | 50,437 | 50,270 | 39,774 | 13,200 |
| Guarantee deposits received | 330 | - | - | 330 | - |
| | $ 6,835,601 | 5,076,929 | 357,151 | 1,147,002 | 254,519 |
| Derivative financial instruments | | | | | |
| Forward foreign exchange contracts - Total delivery: | | | | | |
| Inflows | $ (1,264,150) | (1,264,150) | - | - | - |
| Outflows | 1,273,511 | 1,273,511 | - | - | - |
| | $ 9,361 | 9,361 | - | - | - |

The Company does not expect a significant difference in the cash flows timing or the actual amount from the maturity analysis.

3) Market risk

Market risk refers to the risk that changes in market prices, such as exchange rate, interest rate, and equity instrument price will affect the earnings of the Company or the value of the financial instruments it holds. Financial risk management aims to manage the level of exposure to market risk within an acceptable range and maximize return on investment.

In order to manage market risks, the Company engages in derivative transactions, and its use is regulated by the policies adopted by the Board of Directors. Generally, the

Company adopts hedging operations to manage profit and loss fluctuations.

a) Exchange Rate Risk

The Company is exposed to exchange rate risk arising out of sales, procurement, and loan transactions through the functional currency valuation of the Group's enterprises. The functional currency of the Company is NTD. These non-functional currency transactions are mainly denominated in USD and JPY.

The hedging strategy of the Company is to sign forward foreign exchange contracts and exchange contracts to manage the exchange rate risk of the net foreign currency positions generated by the sales and purchase transactions that have occurred.

i. Risk and sensitivity analysis of exchange rate risk

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

Currency Unit: Thousands

| | 2022.12.31 | | | | |
|---|---|---|---|---|---|
| | **Foreign Currency** | **Exchange rate** | **New Taiwan Dollar** | **Exchange rate changes** | **Profit and loss impact** |
| Financial assets | | | | | |
| USD | $ 100,657 | 30.730 | 3,093,190 | 1% | 30,932 |
| JPY | 39,987 | 0.2330 | 9,317 | 1% | 93 |
| Financial liabilities | | | | | |
| USD | 50,352 | 30.730 | 1,547,317 | 1% | 15,473 |
| JPY | 5,803,273 | 0.2330 | 1,352,163 | 1% | 13,522 |

| | 2021.12.31 | | | | |
|---|---|---|---|---|---|
| | **Foreign Currency** | **Exchange rate** | **New Taiwan Dollar** | **Exchange rate changes** | **Profit and loss impact** |
| Financial assets | | | | | |
| USD | $ 109,318 | 27.680 | 3,025,922 | 1% | 30,259 |
| JPY | 157,306 | 0.2404 | 37,816 | 1% | 278 |
| Financial liabilities | | | | | |
| USD | 56,001 | 27.680 | 1,550,108 | 1% | 15,501 |
| JPY | 6,783,993 | 0.2404 | 1,630,872 | 1% | 16,309 |

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, for details of the foreign exchange gains (losses), (including both realized and unrealized amount), please refer to Note 6 (21).

b) Interest rate risk

The Company's bank borrowings are all based on floating interest rates. In response to the risk of interest rate changes, the Company mainly adopts regular assessments of bank and currency borrowing rates, and maintains good relationships with financial institutions to obtain lower financing costs. Simultaneously, it cooperates with methods such as strengthening working capital management to reduce the degree of dependence on bank loans and diversify the risk of interest rate changes.

The sensitivity analysis below is determined based on the interest rate risk of non-derivative instruments on the reporting date. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year. If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the Company's net profit before tax for the year of 2022 and 2021 will decrease or increase by NT$23,169 thousand and NT$18,801 thousand, respectively, which was due to the floating interest rate borrowings of the Company.

c) Equity instrument price risk

The stocks of domestic listed companies and non-listed companies held by the Company are subject to the risk of price changes in the equity securities market. The Company manages and monitors investment performance based on fair value.

The sensitivity analysis of the stock price risk of holding the aforementioned domestic listed companies and non-listed companies is based on the fair value changes on the reporting date. If the price of equity instruments increases/decreases by 5%, the amount of other comprehensive income for 2022 and 2021 will increase/decrease by NT$7,553thousand and NT$3,234thousand.

x. Capital management

The Company plans the capital management of the Company based on the characteristics of the current operating industry and the future development of the Company, as well as factors such as changes in the external environment, to ensure that the Company has the necessary financial resources and operating plans to meet the future needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures.

y. Non-cash investing and financing activities

1) For details of the acquisition of the right-of-use assets by the Company through leasing in 2022 and 2021, please refer to Note 6 (10).

2) The adjustment of liabilities from financing activities is as follows:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **2022.1.1** | **Cash flow** | **Addition on lease liabilities** | **Lease modifications** | **Evaluation adjustment** | **2022.12.31** |
| Short-term borrowings | $ 576,800 | 474,660 | - | - | - | 1,051,460 |
| Long-term borrowings (including loans due within one year) | 1,303,330 | (39,650) | - | - | 1,808 | 1,265,488 |
| Guarantee deposits received | 330 | 300 | - | - | - | 630 |
| Lease liabilities (including related parties) | 148,051 | (99,091) | 474,749 | - | - | 523,709 |
| Total liabilities from financing activities and capitalization | **$ 2,028,511** | **336,219** | **474,749** | **-** | **1,808** | **2,841,287** |

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **2021.1.1** | **Cash flow** | **Addition on lease liabilities** | **Lease modifications** | **Evaluation adjustment** | **2021.12.31** |
| Short-term borrowings | $ 150,000 | 426,800 | - | - | - | 576,800 |
| Long-term borrowings | 1,614,624 | (313,310) | - | - | 2,016 | 1,303,330 |
| Guarantee deposits received | 250 | 80 | - | - | - | 330 |
| Lease liabilities (including related parties) | 182,439 | (86,645) | 52,575 | (318) | - | 148,051 |
| Total liabilities from financing activities and capitalization | **$ 1,947,313** | **26,925** | **52,575** | **(318)** | **2,016** | **2,028,511** |

## 7. Related Party Transactions

a. The parent company and the ultimate controlling party

Qisda Technology Co., Ltd. is the ultimate controller of the Company and its subsidiaries, holding 43.56% of the Company's outstanding ordinary shares. Qisda Technology Co., Ltd. has prepared a consolidated financial statement for public use.

b. The names and relationships of related parties

| Name of related parties | Relationship with the Company |
|---|---|
| Qisda Technology Co., Ltd. (Qisda) | Parent company of the Company |
| BenQ Materials (L) Co.(BMLB） | Subsidiary of the Company |
| BenQ Material (Suzhou) Corp. (BMS) | Subsidiary of the Company |
| Daxon Biomedical (Suzhou) Co., Ltd. (DTB) | Subsidiary of the Company |
| BenQ Materials (Wuhu) Corp. (BMW) | Subsidiary of the Company |
| BenQ Medicals Medical (Suzhou) Co., Ltd.(BMM) | Subsidiary of the Company |
| Sigma Medical Supplies Corp.(Sigma-Medical) | Subsidiary of the Company |
| Suzhou Sigma Medical Supply Co., Ltd. (SGS) | Subsidiary of the Company |
| Cenefom Corp. (Cenefom) | Subsidiary of the Company (Note1) |
| Genejet Biotech Co., Ltd. (Genejet) | Subsidiary of the Company |
| Visco Vision Inc. (Visco Vision) | Associates of the Company |
| MLK Bioscience Co., Ltd. | Associates of the Company |
| Visco Technology Sdn. Bhd.(VVM) | A subsidiary of Visco Vision |
| Other related parties: | |
| BenQ Foundation for Culture and Education | The actual related parties of Qisda |
| Darfon Electronics Co., Ltd. (Darfon) | Associates of Qisda |
| AU Optronics Corporation (AUO) | The corporate shareholder of Qisda accounting under equity method |
| AU Optronics (Suzhou) Corporation (AUS) | Subsidiary of AUO |
| AU Optronics (Kunshan) Corporation | Subsidiary of AUO |
| AU Optronics (Xiamen) Corporation (AUX) | Subsidiary of AUO |
| Darwin Precision Industry Corporation | Subsidiary of AUO |
| Darwin Precision Industry (Xiamen) Co., Ltd. | Subsidiary of AUO |

| Name of related parties | Relationship with the Company |
|---|---|
| AUO Display Plus Corp. | Subsidiary of AUO |
| Daji Education Development Co., Ltd. | Subsidiary of AUO |
| AUO Envirotech Inc. | Subsidiary of AUO |
| AUO Care Co., Ltd. | Subsidiary of AUO |
| AUO Digital Technology Service Co., Ltd. | Subsidiary of AUO |
| Space4M Inc. | Subsidiary of AUO |
| DFI Inc. | Subsidiary of Qisda |
| BenQ Asia Pacific Corporation | Subsidiary of Qisda |
| BenQ Asia Pacific Malaysia Co., Ltd. | Subsidiary of Qisda |
| BenQ Asia Pacific Singapore Co., Ltd. | Subsidiary of Qisda |
| BenQ Asia Pacific Thailand Co., Ltd. | Subsidiary of Qisda |
| ACE Energy Co., Ltd (formerly known as BenQ Energy Technology Co., Ltd.) | Subsidiary of Qisda |
| BenQ Corporation | Subsidiary of Qisda |
| Partner Tech Corp. | Subsidiary of Qisda |
| BenQ Medical Technology Corporation | Subsidiary of Qisda |
| BenQ AB DentCare Corporation | Subsidiary of Qisda |
| BenQ Dialysis Technology Corporation | Subsidiary of Qisda |
| Lily-Medical Corporation | Subsidiary of Qisda |
| Suzhou Qisda Electronics Co., Ltd. | Subsidiary of Qisda |
| Metaage Corporation (formerly known as Ju Shuo Technology Co., Ltd.) | Subsidiary of Qisda |
| Ace Pillar Co., Ltd. | Subsidiary of Qisda |
| Data Image Corporation | Subsidiary of Qisda |
| Aewin Technologies Co., Ltd. | Subsidiary of Qisda |
| AdvancedTEK International Corp. | Subsidiary of Qisda |
| Global Intelligence Network Co., Ltd. | Subsidiary of Qisda |
| Simula Technology Inc. | Subsidiary of Qisda |
| Alpha Networks Inc. | Subsidiary of Qisda |
| Epic Cloud Co., Ltd. | Subsidiary of Qisda |
| DSIGroup Co., Ltd. | Subsidiary of Qisda |
| Actian Star Technology Co., Ltd. | Subsidiary of Qisda |
| Diva Laboratories, Ltd | Subsidiary of Qisda |

Note 1. Formerly an associate of the Company, it has become a subsidiary of the Company since October 2021.

c. Significant transactions with related parties

1) Operating revenue

| | | 2022 | 2021 |
|---|---|---|---|
| Subsidiaries: | | | |
| BMM | $ | 479,636 | 433,328 |
| Sigma-Medical | | 229,851 | 270,498 |
| BMW | | 33,766 | 37,221 |
| DTB | | 1,619 | 1,045 |
| Other subsidiaries | | 52 | 46 |
| Other related parties: | | | |
| AUO | | 3,283,317 | 3,832,921 |
| AUS | | 953,580 | 1,215,914 |
| AUX | | 826,266 | 809,816 |
| Others | | 10,847 | 13,602 |
| Associate- VVM | | 169,156 | 102,930 |
| Other associates | | 765 | 1,260 |
| Parent company | | - | 21 |
| | $ | 5,988,855 | 6,718,602 |

The transaction price sold to related parties is not significantly different from the general sales price, except that there is no general transaction price to compare due to the different specifications of some commodities. The collection period is 60~180 days, which has no significant difference from ordinary transactions.

2) Purchases

| | | 2022 | 2021 |
|---|---|---|---|
| Subsidiary-BMS | $ | 945,890 | 861,864 |
| Subsidiary-BMW | | 195,077 | 257,518 |
| Subsidiary -Sigma-Medical | | 20 | 38,033 |
| Other subsidiaries | | 2,467 | 7,782 |
| Associate – Visco Vision | | 351,033 | 359,098 |
| Other associates | | 10 | 423 |
| Other related parties | | 65 | 70 |
| | $ | 1,494,562 | 1,524,788 |

The Company's purchase price from related parties is incomparable with the general transaction price due to different product specifications. It is processed in accordance with the agreed purchase price and conditions.

3) Property transaction

The acquisition prices of various assets acquired by the Company from related parties are summarized as follows:

| Related parties category | Account item | 2022 | 2021 |
|---|---|---|---|
| Parent company | Intangible assets | 2,349 | 2,229 |
| Other related parties | Intangible assets | 8,084 | 8,519 |
| Other related parties | Property, plant and equipment | 7,720 | 11,500 |
| | | **18,153** | **22,248** |

The Company sold the machinery and equipment to other related parties in January 2022 at a selling price of NT$320 thousand, resulting in a disposal loss of NT$2,405 thousand. As of December 31, 2022, the relevant price has been collected.

4) Leases

The Company leases factories and offices from AUO, and the rent is paid on a monthly basis with reference to the rent prices in the neighboring areas. In 2022, the Company signed a new lease agreement with AUO for the lease of office and plant, and recognized the right-of-use assets and lease liabilities in the same amount of NT$474,749 thousand. The recognized interest expenses in 2022 and 2021 were NT$902 thousand and NT$2,521thousand, respectively. The balance of lease liabilities as of December 31, 2022 and 2021 were NT$474,526 thousand and NT$91,779 thousand, respectively.

5) Donation

The Company has contributed donation to BenQ Foundation for Culture and Education in 2022 and 2021, with the amount of NT$3,000 thousand and NT$2,000 thousand, respectively.

6) Manpower support

Sigma-Medical, a subsidiary of the Company, provides technical consultation services to the Company. The amount of expenses incurred in 2022 and 2021 were NT$25,807 thousand and NT$5,172 thousand, respectively, are categorized under operating expenses, and relevant payables that have not being paid are categorized under other payables — related parties.

The Company provides manpower support services to its subsidiary Genejet, and the amounts receivable in 2022 and 2021 were NT$1,703thousand and NT$0thousand respectively, which are categorized in the operating expense deduction, and the relevant receivables that have not yet been collected are categorized under other receivables — related parties.

7) Amounts receivable from related parties

In summary, the details of the accounts receivable from related parties of the Company are as follows:

| Account item | Related parties category | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Accounts receivable - related parties, net | Subsidiary-BMM | $ 54,627 | 248,054 |
| | Subsidiary— Sigma-Medical | 7,569 | 150,948 |
| | Subsidiary-BMW | 3,595 | 73,875 |
| | Subsidiary-DTB | 842 | 674 |
| | Other subsidiaries | 174 | - |
| | Other related parties - AUO | 495,602 | 419,854 |
| | Other related parties - AUS | 155,639 | 88,716 |
| | Other related parties - AUX | 165,969 | 51,334 |
| | Other related parties - others | 1,676 | 5,783 |
| | Associates | 31,530 | 42,256 |
| | | 917,223 | 1,081,494 |
| Other receivables—related parties | Subsidiaries | 1,703 | 2,284 |
| | | **$ 918,926** | **1,083,778** |

The Company sells the account receivables from related parties to the financial institution in a non-recourse manner in accordance with the agreement of the account receivables sale contract signed with the financial institution. The relevant information related to the transfer of creditor's rights in account receivables that meets the derecognition conditions is as follows:

**2022.12.31**

| Underwriter | Sale amount | Amount still available in advance | Advance amount | Shown as other receivables (Note 6 (5)) | Interest rate range | Other important matters |
|---|---|---|---|---|---|---|
| Mega International Commercial Bank | $ 512,167 | - | 460,950 | 51,217 | 5.44% | Guaranteed Promissory Note 150,000 |
| CTBC Bank | 361,931 | - | 325,738 | 36,193 | 5.10% | None - |
| | **$ 874,098** | **-** | **786,688** | **87,410** | | **150,000** |

**2021.12.31**

| Underwriter | Sale amount | Amount still available in advance | Advance amount | Shown as other receivables (Note 6 (5)) | Interest rate range | Other important matters |
|---|---|---|---|---|---|---|
| Mega International Commercial Bank | $ 763,366 | - | 687,030 | 76,336 | 0.80% | Guaranteed Promissory Note 150,000 |
| CTBC Bank | 551,918 | - | 496,727 | 55,191 | 0.89% | None - |
| | **$ 1,315,284** | **-** | **1,183,757** | **131,527** | | **150,000** |

8) Payables to related parties

In summary, the details of the amounts due to related parties by the Company are as follows:

| Account item | Related parties category | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Accounts payable - related parties | Subsidiary-BMS | $ 732,800 | 351,388 |
| | Subsidiary-BMW | 127,458 | 42,785 |
| | Other subsidiaries | 577 | 5,131 |
| | Associates -Visco Vision | 34,905 | 48,346 |
| | Other associates | - | 16 |
| | Other related parties | - | 73 |
| | | 895,740 | 447,739 |
| Other payables - related parties | Parent company | 100 | - |
| | Subsidiaries | 31,808 | 2,768 |
| | Other related parties | 19,654 | 23,569 |
| | Associates | 11 | 6 |
| | | 51,573 | 26,343 |
| | | **$ 947,313** | **474,082** |

d. Compensation of major managerial personnel

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits and compensation | $ 68,360 | 61,061 |
| Retirement benefits | 324 | 324 |
| | **$ 68,684** | **61,385** |

## 8. Pledged Assets

The details of the asset carrying value pledged as collateral by the Company are as follows:

| Asset name | Purpose of Pledge | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Land, buildings and structures | Amount of Long-term borrowings | $ 617,584 | 629,602 |
| Other financial assets -Current | Customs deposits | 10,464 | 5,913 |
| | | **$ 628,048** | **635,515** |

## 9. Material Contingent Liabilities and Unrecognized Contractual Commitments

a. Significant unrecognized contract commitment:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Signed and unpaid major engineering and equipment payments | $ 1,938,116 | 547,686 |
| Unused letters of credit issued | 1,552,960 | 683,141 |

## 10. Material Loss from Disaster: None

## 11. Material Subsequent Events

On November 1, 2022, BenQ acquired 35,700 thousand shares of common stock of WEB-PRO Corp (hereinafter referred to as "WEB-PRO") with a total amount of NT$3,162,000 thousand, equivalent to 51% equity interest by the board of directors' decision to acquired control over WEB-PRO Corp, for speeding up the company to transform into increase the medical revenue proportion.

## 12. Others

The functions of employee benefits, depreciation, and amortization expenses are summarized as follows:

| Types of functions | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| Types of functions | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses | | | | | | |
| Salary expenses | 1,127,922 | 773,001 | 1,900,923 | 1,077,497 | 636,932 | 1,714,429 |
| Labor insurance and national health insurance | 96,626 | 49,962 | 146,588 | 90,499 | 40,517 | 131,016 |
| Pension expenses | 37,752 | 26,936 | 64,688 | 35,409 | 22,141 | 57,550 |
| Board of Directors' remuneration | 4,798 | 19,796 | 24,594 | 3,882 | 17,789 | 21,671 |
| Other employee benefits expenses | 61,174 | 26,161 | 87,335 | 58,263 | 19,387 | 77,650 |
| Depreciation expenses | 359,322 | 106,077 | 465,399 | 349,597 | 76,205 | 425,802 |
| Amortization expenses | 15,837 | 23,682 | 39,519 | 14,637 | 21,844 | 36,481 |

| | 2022 | 2021 |
|---|---|---|
| Number of Staff | 1,733 | 1,668 |
| Number of directors who do not serve as employees | 7 | 7 |
| Average benefits expenses | $ 1,274 | 1,192 |
| Average salary expenses | $ 1,101 | 1,032 |
| Average salary adjustment | 6.69% | 12.42% |
| Supervisor's remuneration | $ - | - |

The compensation and remuneration policy (including directors, managers, and employees) of the Company are as follows:

The remuneration of the directors of the Company is authorized by the Board of Directors in accordance with the Articles of Incorporation of the Company, and depends on the degree of participation and contribution value of the directors in the Company's operations. It will also be issued in accordance with the "Remuneration Measures for Directors and Functional Committee Members" stipulated by the domestic and foreign peers. In addition, if the Company has surplus, the Board of Directors shall resolve the amount of directors' remuneration in accordance with the Articles of Incorporation of the Company.

The appointment, dismissal, and remuneration of the general manager and deputy general managers of the Company shall be performed in accordance with company regulations. The remuneration standard is based on the remuneration policies and principles of the Company's remuneration committee and the Board of Directors, and the remuneration is issued with reference to the usual industry standards, company operating income, profitability, and individual performance of managers.

The main remuneration principle of the Company's employees is to connect responsibilities and performance results and provide market-competitive remuneration to attract, retain and cultivate talents for a long time, reflecting the Company's business risks and corporate governance structure instead of using short-term profit as the only indicator of salary and performance evaluation, and connect the long-term value of shareholders.

## 13. Supplementary Disclosures

a. Information on significant transactions

In accordance with the requirements of the regulations in 2022, the Company shall re-disclose the relevant information of significant transactions as follows:

1) Loaning funds to others:

Unit: NTD Thousands

| No. | Lending company | Lending subject | Contact accounts | Whether he/she is related party | Highest endorsement or guarantee amount for current period | Balance at end of year | Actual movement Amount | Interest rate range | Nature of financing (Note 2) | Transaction amount | Reason for financing | Provision for allowance for loss amount | Collateral | | Limit on loans granted to a single party | Fund loan and total limit | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | | |
| 1 | BMS | BenQ Materials (Wuhu) Corp. | Other receivables—related parties | Yes | 1,191,679 (RMB 265,000) | 1,167,511 (RMB 265,000) | 977,184 (RMB 221,800) | 1.30% | 2 | - | Operating turnover | - | | - | 2,513,686 | 2,513,686 | (Note 1) |
| 2 | BMS | BenQ Materials Medical (Suzhou) Co., Ltd. | Other receivables—related parties | Yes | 358,112 (RMB 80,000) | 352,456 (RMB 80,000) | 348,050 (RMB 79,000) | 1.30% | 2 | - | Operating turnover | - | | - | 2,513,686 | 2,513,686 | (Note 1) |

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

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

2) Endorsements/guarantees provided for others: None.

3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint equity):

| Name of Company Held | Type and Name of Marketable Securities | Relationship with the securities issuer | Listed accounts | Ending Balance | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Book amount | % | Fair value | |
| The Company | Shares of Biodenta Corporation | – | Financial assets at fair value through profit or loss | 225 | (Note) | 2.50% | - | - |
| The Company | Shares of Lagis Corporation | – | Financial assets at fair value through other comprehensive income | 1,680 | 54,549 | 5.25% | 54,549 | - |
| The Company | Shares of Summed Corporation | – | Financial assets at fair value through other comprehensive income | 300 | 2,426 | 2.73% | 2,426 | - |
| The Company | Shares of Cuumed Catheter Medical Co., Ltd. | – | Financial assets at fair value through other comprehensive income | 3,429 | 94,078 | 11.27% | 94,078 | - |

(Note): It was all recognized as impairment losses.

4) The cumulative amount of purchase or selling the same securities reaches NT$300 million or more than 20% of the paid-in capital: None.

5) The amount of property acquired reaches NT$ 300 million or more than 20% of the paid-in capital:

| Companies acquiring real estates | Name of asset | Date of occurrence | Transaction amount | Price payment situation | Counterparty | Relationship | The counterparty is a related party, and its previous transferred data | | | | Reference basis for price determination | Objective of acquisition and usage | Other agreements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Everyone | Relationship with publisher | Transfer date | Amount | | | |
| The Company | Housing and structures | Transaction signed on November 10, 2022 | 920,000 (tax included) | Unpaid | Qizhan Construction Co., Ltd. | NA | - | - | - | - | Inquiry & bargain | The Company's Plant in Yunke is under construction for production and operation | - |

6) The amount of disposition of real estate reaches NT$300 million or more than 20% of the paid-in capital:

Unit: NTD Thousands

| Companies disposing real estates | Name of asset | Date of occurrence | Original acquisition date | Book value | Transaction amount | Price collection situation | Disposal of gains/losses | Counter party | Relationship | Objective of disposal | Reference basis for price determination | Other agreements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BMS | Real estates and related assets (rights of use of land, buildings, machinery and equipment and deferred charges) | Transaction signed on March 21, 2022 | 2006 | 301,762 | Contract amount was RMB 264,036 thousand | Contract amount has been fully received | Gains on disposal is about NT$780,563 thousand (before deducting relevant land value-added tax and income tax) | Siliconware Precision Industries Co., Ltd | N/A | To utilize assets and improve operational efficiency | Refer to the valuation report | - |

7) Those who purchase or sell with a related party in the amount of NT$100 million or more than 20% of the paid-in capital:

| | | | Transaction details | | | | Unusual Transaction Terms and Reasons | | Note and account receivables (paid) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Vendor/Customer** | **Counter-party** | **Relationship** | **Purchase (sale) goods** | **Amount** | **Ratio to total purchase (sell)** | **Credit period** | **Price** | **Credit period** | **Balance** | **Ratio to total notes or accounts receivable (payable)** | **Note** |
| The Company | AUO | Other related parties | Sale | 3,283,317 | 22% | OA90 | (Note 1) | (Note 3) | 495,602 | 18% | |
| The Company | AUS | Other related parties | Sale | 953,580 | 6% | OA90 | 〃 | 〃 | 155,639 | 6% | |
| The Company | AUX | Other related parties | Sale | 826,266 | 6% | OA90 | 〃 | 〃 | 165,969 | 6% | |
| The Company | BMM | Parent company and subsidiaries | Sale | 479,636 | 3% | OA180 | 〃 | 〃 | 54,627 | 2% | |
| The Company | Sigma-Medical | Parent company and subsidiaries | Sale | 229,851 | 2% | OA180 | 〃 | 〃 | 7,569 | 0% | |
| The Company | VVM | Associates | Sale | 169,156 | 1% | OA60 | 〃 | 〃 | 31,231 | 1% | |
| The Company | BMS | Parent company and subsidiaries | Purchases | (945,890) | 10% | OA180 | (Note 2) | 〃 | (732,800) | 22% | |
| The Company | Visco Vision | Associates | Purchases | (351,033) | 4% | OA60 | 〃 | 〃 | (34,905) | 1% | |
| The Company | BMW | Parent company and subsidiaries | Purchases | (195,077) | 2% | OA180 | 〃 | 〃 | (127,458) | 4% | |

Note 1. The price of the Company's sales to related parties is not significantly different from the general sales except that there is no general transaction price to compare due to the different specifications of some products.

Note 2. The Company's purchase price from related parties is incomparable with the general transaction price due to different product specifications. It is processed in accordance with the agreed purchase price and conditions.

Note 3. There is no significant difference between the transaction price and general transaction.

Note 4. For purchases and sales with related parties, only the amount of the parent company will be disclosed, and the amount of its subsidiary will not be restated.

8) Receivables from related parties amounting to NT$100 million or 20% of the paid-in capital or more:

| The companies that record such transactions as receivables | Counter-party | Relationship | Balance Dues from Related Parties | Turnover rate (Note 1) | Overdue accounts receivables from related parties | | Subsequently Recovered Amount from Related Party | Provision for allowance for loss amount |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Way of disposal | | |
| BMS | The Company | Parent company and subsidiaries | 732,800 | 1.74 | 261,805 | - | 79,691 | - |
| The Company | AUO | Other related parties | 495,602 | 3.00 | - | - | - | - |
| The Company | AUS | Other related parties | 155,639 | 2.45 | - | - | - | - |
| The Company | AUX | Other related parties | 165,969 | 2.76 | - | - | - | - |
| BMW | The Company | Parent company and subsidiaries | 127,458 | 2.29 | - | - | 13,868 | - |

Note 1. The turnover rate is calculated by adding back the amount of account receivables sold to financial institutions.

9) Engaged in derivative transaction: For information on the transaction of derivative financial products by the Combined Company, please refer to Note 6 (2) of the Consolidated Financial Statements.

b. Information on reinvestment:

The information on the reinvestment business of the Company in 2022 is as follows (excluding the mainland invested company):

| Investment company name | Investee companies | Location | Major business items | Original investment amount | | Hold at the end of the period | | | Profit or Loss of Invested Company in the Current Period | Investment Profit/Loss Recognized in the Current Period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of this period | End of last year | Shares | Ratio (%) | Book amount | | | |
| The Company | BMLB | Malaysia | Holding company | 1,141,340 | 1,141,340 | 35,082 | 100.00% | 2,316,977 | 664,230 | 664,230 | |
| The Company | Sigma-Medical | Taiwan | Sales of medical equipment | 231,727 | 231,727 | 2,000 | 100.00% | 101,308 | 297,280 | 183,388 | |
| The Company | Visco Vision | Taiwan | Manufacturing and sales of contact lenses | 168,771 | 177,811 | 9,334 | 14.82% | 471,428 | 617,431 | 111,231 | |
| The Company | Cenefom | Taiwan | Development, manufacturing, and sales of medical equipment | 272,968 | 92,262 | 11,646 | 51.34% | 226,196 | (11,506) | (6,697) | |
| The Company | Genejet | Taiwan | Development, manufacturing, and sales of medical equipment | 43,316 | 43,316 | 3,767 | 70.00% | 42,811 | 297 | (1,314) | |
| The Company | MLK | Taiwan | Sales and development of medical equipment | 6,000 | 6,000 | 217 | 20.00% | 4,347 | (971) | (194) | |
| The Company | Coatmed | Taiwan | Sales of medical equipment | 5,980 | 5,980 | 598 | 9.98% | 4,974 | (4,785) | (936) | |

c. Information on investments in mainland China：

1) Information on reinvestments in mainland China:

| Investee companies in mainland | Major business items | Paid-up capital | Way of investments (Note 1) | Cumulative Investment Amount Remitted from Taiwan - Beginning of the Period | Investment amount remitted or received for the current period | | Cumulative Investment Amount Remitted from Taiwan - End of the period | Profit or Loss of Invested Company in the Current Period | Percentage of ownership through the Company's direct or indirect investment | Investment profits (losses) recognized for the current period | Carrying Amount as of December 31, 2019 | Investment profits repatriated by the end of the current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remit | Receive | | | | | | |
| BenQ Material (Suzhou) Corp. (BMS) | Processing of film sheet products | 891,170 (USD 29,000) | (3) | 891,170 (USD 29,000) | - | - | 891,170 (USD 29,000) | 547,328 | 100.00% | 547,328 (Note 2) | 2,513,686 | - |
| Daxon Biomedical (Suzhou) Co., Ltd. (DTB) | Provision of services and sales of related products such as medical equipment | 48,463 (RMB 11,000) | (2) | - | - | - | - | 24,560 | 100.00% | 24,560 (Note 2) | 26,558 | - |
| BenQ Materials (Wuhu) Corp.(BMW) | Manufacture and sales of film sheet and cosmetic-related products | 352,456 (RMB 80,000) | (3) | 176,228 (RMB 40,000) | - | - | 176,228 (RMB 40,000) (Note 3) | 105,137 | 100.00% | 101,293 (Note 2) | (186,331) | - |
| BenQ Materials Medical (Suzhou) Co., Ltd.(BMM) | Sales and manufacturing of medical equipment | 66,086 (RMB 15,000) | (2) | - | - | - | - | (8,013) | 100.00% | (8,013) (Note 2) | 46,351 | - |
| Suzhou Sigma Medical Supply Co., Ltd. (Suzhou Sigma-Medical) | Sales of medical equipment | 22,187 (USD 722) | (1) | 48,922 (USD 1,592) | - | 24,839 (USD 870) | 22,187 (USD 722) | (623) | 100.00% | (623) (Note 2) | 1,093 | - |

Note 1. Ways of investments are as follows:

1. Direct investment in mainland companies.
2. Reinvestment the surplus of BMLB to China.
3. Investing in mainland companies through the establishment of companies in the third region.

Note 2. The investment profits and losses are recognized based on the financial statements checked by the Taiwanese parent company certified accountant.

Note 3. Excluding the reinvestment of RMB 10,950,000 reinvested by BMLB.

2) Limits on investments in mainland China:

Unit: NTD Thousands

| Company name | Cumulative investment amount remitted from Taiwan to the mainland at the end of the period | Amount of Investment Approved by the Ministry of Economic Affairs Investment Committee | Upper Limit on Investment Authorized by MOEAIC |
|---|---|---|---|
| The Company | 1,067,398 (USD29,000 and RMB40,000) | 1,181,726 (USD29,000 and RMB65,950) | (Note) |
| Sigma-Medical | 22,187 (USD 722) | 22,187 (USD 722) | 80,000 |

It is converted according to the exchange rate of USD to NTD of 30.73 and RMB to NTD of 4.4057 at the end of the period.

(Note) The Company has already acquired the certificate of corporate operation headquarters, so there is no limit on investment in mainland China.

3) Material transactions with investee companies in Mainland China:

Please refer to the "Information on significant transactions" section for direct or indirect major transactions between the Company and investees in mainland China for 2022.

d. Information on major shareholders:

Unit: Shares

| Shareholding<br>Name of major shareholder | Holding Shares | Share Ownership % |
|---|---|---|
| BenQ Corporation | 80,847,763 | 25.21% |
| Qisda Corporation | 43,659,294 | 13.61% |

Note: The major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.

## 14. Segment Information

For details, please refer to the consolidated financial statements 2022.

# BenQ Materials Corporation

## Statements of Cash and Cash Equivalents

## December 31, 2022

**Unit: NT$ thousand**

| Items | Summary | Amount |
|---|---|---|
| Working capital | | $ 95 |
| Demand deposit and check deposit | | 53,028 |
| Foreign currency deposit (Note) | USD: 8,739 thousand | 268,560 |
| | JPY: 13,147 thousand | 3,063 |
| | EUR: 613 thousand | 20,122 |
| | SGD: 91 thousand | 2,088 |
| | RMB: 15 thousand | 66 |
| | | **$ 347,022** |

(Note): Foreign currency deposits are converted according to the following spot exchange rate of December 31, 2022

| Type of currency | Exchange rate to NTD |
|---|---|
| USD | 30.730 |
| JPY | 0.2330 |
| EUR | 32.820 |
| SGD | 22.894 |
| RMB | 4.4057 |

## BenQ Materials Corporation

## Statements of Account & Notes Receivable

## December 31, 2022

**Unit: NT$ thousand**

| Customer name | Amount |
|---|---|
| Customer A | $ 218,161 |
| Customer B | 177,144 |
| Customer C | 163,599 |
| Customer D | 119,311 |
| Customer E | 112,842 |
| Customer F | 112,454 |
| Others (less than 5%) | 1,013,202 |
| Subtotal | 1,916,713 |
| Less: allowance of doubtful debts | (14,263) |
| | **$ 1,902,450** |

## Statement of Inventories

| Items | Amount | |
|---|---|---|
| | Book value (Note) | Net realizable value |
| Raw Material | $ 979,706 | 979,706 |
| Work in progress | 702,768 | 727,995 |
| Finished goods | 640,376 | 748,644 |
| | **$ 2,322,850** | **2,456,345** |

(Note): Net amount after deducting loss on allowance for inventory valuation and bad debt losses.

## BenQ Materials Corporation
## Statement of Other Current Assets
## December 31, 2022

**Unit: NT$ thousand**

| Items | Amount |
|---|---|
| Operation tax refundable | $ 59,250 |
| Deferred expenses | 31,612 |
| Prepaid materials expenses | 17,042 |
| Prepayments for insurance | 8,407 |
| Others (less than 5%) | 39,549 |
| | **$ 155,860** |

## Financial assets at fair value through other comprehensive income - Current
## January 1 to December 31, 2022

| Name | Beginning Balance | | Increase in the period | | Decrease in the period | | Changes in unrealized profits and losses of financial assets | Ending Balance | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares (thousand shares) | Amount | Shares (thousand shares) | Amount | Shares (thousand shares) | Amount | | Shares (thousand shares) | Amount | |
| Listed company stock - Lagis Enterprise Co., Ltd. | 1,680 | $ 55,490 | - | - | - | - | (941) | 1,680 | 54,549 | |

# BenQ Materials Corporation
# Financial Assets at Fair Value Through Other Comprehensive Income - Non-Current Changes
# January 1 to December 31, 2022

**Unit: NT$1,000/thousand shares**

| | Beginning Balance | | Increase in the period | | Decrease in the period | | Changes in unrealized gains and losses on financial assets measured at fair value through other comprehensive income | Ending Balance | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | Shares (thousand shares) | Amount | Shares (thousand shares) | Amount | Shares (thousand shares) | Amount | | Shares (thousand shares) | Amount | Note |
| Unlisted company shares - Summed Corporation | 300 | $ 3,000 | - | - | - | - | (574) | 300 | 2,426 | |
| Unlisted company shares - CuuMed Catheter Medical Co., Ltd | 323 | $ 6,187 | 3,106 | 92,271 | - | - | (4,380) | 3,429 | 94,078 | |
| | | **$ 9,187** | | **92,271** | | **-** | **(4,954)** | | **96,504** | |

# Statement of Other Financial Assets - Current
# December 31, 2022

| Items | Summary | Amount |
|---|---|---|
| Tariff deposit | | **$ 10,464** |

# BenQ Materials Corporation
## Statement of Investment Accounted Under the Equity Method
## January 1 to December 31, 2022

**Unit: NT$1,000/thousand shares**

| Name | Balance at beginning of year | | Increase in the period | | Decrease of the period (Note 2) | | Investment income (loss) | Equity method adjustment (Note) | Unrealized gross profit | Balance at end of year | | | Net Equity (Market price) | | Guarantee or pledge |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | Shares | Share Ownership % | Amount | Price | Total price | |
| BMLB | 35,082 | $ 1,680,378 | - | - | - | - | 664,230 | 23,675 | (51,306) | 35,082 | 100.00% | 2,316,977 | 66.04 | 2,316,977 | N/A |
| Visco Vision | 9,834 | 213,301 | - | - | (500) | (54,201) | 111,231 | 201,097 | - | 9,334 | 14.82% | 471,428 | 284.50 | 2,655,458 | 〃 |
| Cenefom | 4,418 | 82,693 | 7,228 (Note 1) | 180,706 | - | - | (6,697) | (30,506) | - | 11,646 | 51.34% | 226,196 | 14.39 | 167,607 | 〃 |
| Sigma-Medical | 2,000 | 126,679 | - | - | | (210,000) | 183,388 | 1,241 | - | 2,000 | 100.00% | 101,308 | 53.50 | 106,993 | 〃 |
| MLK | 217 | 4,546 | - | - | - | - | (194) | (5) | - | 217 | 20.00% | 4,347 | (0.29) | (62) | 〃 |
| Coatmed | 598 | 4,071 | - | - | - | - | (936) | 1,839 | - | 598 | 9.98% | 4,974 | 6.90 | 4,127 | 〃 |
| Genejet | 3,767 | 44,125 | - | - | - | - | (1,314) | - | - | 3,767 | 70.00% | 42,811 | 9.69 | 36,518 | 〃 |
| Total | | $ 2,155,793 | | 180,706 | | (264,201) | 949,708 | 197,341 | (51,306) | | | 3,168,041 | | | |

(Note) The equity method is adjusted as follows:

| | |
|---|---|
| Exchange differences arising on translation of financial statements of foreign operations | $ 40,863 |
| Remeasurement of defined benefit plans | 440 |
| Changes in capital reserve | 186,544 |
| Difference between prices of shares acquired from subsidiaries and book value (retained earnings) | (30,506) |
| | $ 197,341 |

Note 1. The Company increased its shares by 7,228 thousand shares with cash investment of NT$180,706 thousand.

Note 2. The decrease in the current period is due to obtaining of the cash dividend of NT$ 39,335 thousand from Visco, the book value of NT$ 14,866 thousand from the sales of 150 thousand shares of Visco, and obtaining of the cash dividend of NT$ 210,000 thousand from Sigma-Medical.

# BenQ Materials Corporation

## Statement of Other Non-Current Assets

## December 31, 2022

**Unit: NT$ thousand**

| Items | Summary | Amount |
|---|---|---|
| Deferred expenses | | $ 13,255 |

## Statement of Short-term Loans

| Type of loan | Explanation | Balance at end of year | Contract period | Interest rate range | Financing amount | Pledge or guarantee | Note |
|---|---|---|---|---|---|---|---|
| Unsecured loans | Mega International Commercial Bank | $ 121,460 | 2022.04~2023.04 | 2.13%~4.80% | 600,000 | N/A | |
| Unsecured loans | The Export-Import Bank of the Republic of China | 200,000 | 2022.10~2023.10 | 1.57% | 400,000 | N/A | |
| Unsecured loans | Bank of Kaohsiung | 50,000 | 2022.06~2023.06 | 1.38% | 307,300 | N/A | |
| Unsecured loans | Bank of Taiwan | 150,000 | 2022.05~2023.05 | 1.37% | 800,000 | N/A | |
| Unsecured loans | The First Commercial Bank | 200,000 | 2022.11~2023.11 | 1.79% | 600,000 | N/A | |
| Unsecured loans | Cathay United Bank | 150,000 | 2022.08~2023.08 | 1.70% | 460,950 | N/A | |
| Unsecured loans | KGI Bank | 180,000 | 2022.07~2023.07 | 2.00% | 500,000 | N/A | |
| | | **$ 1,051,460** | | | | | |

# BenQ Materials Corporation

## Statement of Accounts Payable

## December 31, 2022

**Unit: NT$ thousand**

| Vendor Names | Amount |
| --- | --- |
| Manufacturer A | $ 577,974 |
| Manufacturer B | 493,009 |
| Manufacturer C | 273,305 |
| Manufacturer D | 122,094 |
| Others (less than 5%) | 971,920 |
| | **$ 2,438,302** |

## Statement of Accounts Payable - Related Party

| Vendor Names | Summary | Amount |
| --- | --- | --- |
| BMS | | $ 732,800 |
| BMW | | 127,458 |
| Others (all less than 5% of the subject amount) | | 35,482 |
| | | **$ 895,740** |

# BenQ Materials Corporation

## Statement of Other Payables

## December 31, 2022

**Unit: NT$ thousand**

| Items | Amount |
|---|---|
| Payable bonus | $ 310,157 |
| Payable employee dividends | 165,978 |
| Payable for engineering equipment | 111,537 |
| Income taxes payable | 85,205 |
| Employee salaries payable | 92,365 |
| Payable bonuses for non-leaving pay | 84,898 |
| Others (less than 5%) | 373,907 |
| | **$ 1,224,047** |

## Statement of Other Payables - Related Parties

| Name | Summary | Amount |
|---|---|---|
| AUO | | $ 17,337 |
| BMS | | 7,666 |
| Sigma-Medical | | 24,142 |
| Others (all less than 5% of the subject amount) | | 2,428 |
| | | **$ 51,573** |

## BenQ Materials Corporation

## Statements of Other Current Liabilities

**December 31, 2022** **Unit: NT$ thousand**

| Items | Summary | Amount |
|---|---|---|
| Refund liabilities | | $ 86,590 |
| Contract liabilities | | 35,107 |
| Collection of social welfare insurance | | 8,070 |
| Others | | 13,560 |
| | | **$ 143,327** |

## Statement of Long-Term Borrowings

| Creditor | Summary | Borrowing amount | Contract period | Interest rate % | Mortgage or pledge |
|---|---|---|---|---|---|
| Bank of Changhua | Taiwanese businessmen return to Taiwan project loan | $ 795,805 | 109~119 | 1.63% | - |
| Bank of Taiwan | Taiwanese businessmen return to Taiwan project loan | 469,683 | 109~119 | 1.68% | - |
| Less: long-term borrowings due within one year | | (181,486) | | | |
| | | **$ 1,084,002** | | | |

## BenQ Materials Corporation

## Statement of lease liabilities (current and non-current)

## December 31, 2022

**Unit: NT$ thousand**

| Items | Lease period | Discount rate | Balance at end of year |
|---|---|---|---|
| Housing and structures | 2019.06~2031.09 | 1.79% | **$ 523,709** |

| | |
|---|---|
| Current: | |
| Related party - AUO | **$ 91,746** |
| Non-related parties | **$ 6,966** |
| Non-current: | |
| Related party - AUO | **$ 382,780** |
| Non-related parties | **$ 42,217** |

## Statement of Other Non-Current Liabilities

| Items | Summary | Amount |
|---|---|---|
| Liabilities of defined benefit plans | | $ 19,831 |
| Deferred government subsidy income | | 12,862 |
| Guarantee deposits received | | 630 |
| | | $ 33,323 |

**BenQ Materials Corporation**

**Statement of Operating Revenues**

**January 1 to December 31, 2022**

| Items | Amount |
|---|---|
| Film sheet products | $ 13,533,172 |
| Others | 1,247,458 |
| | **$ 14,780,630** |

## BenQ Materials Corporation

## Statement of Operating Costs

## January 1 to December 31, 2022

**Unit: NT$ thousand**

| Items | Amount |
|---|---|
| Raw Material | |
| Raw materials of beginning period (including inventory in transit) | $ 1,264,864 |
| Add: Input amount, net | 8,807,473 |
| Less: Raw materials at the end of the period (including inventories in transit) | (1,211,198) |
| Relisted expenses of current period | (378,363) |
| Raw materials on sale | (162,423) |
| Raw materials consumed of period | 8,320,353 |
| Direct labor | 858,147 |
| Manufacturing expenses | 1,886,121 |
| Manufacturing cost | 11,064,621 |
| Add: Products in progress at the beginning of the period | 803,785 |
| Transfer in various expenses | 25,466 |
| Work in process purchased | 99,182 |
| Less: Products in progress at the end of the period (including inventories in transit) | (787,002) |
| Sell semi-finished products | (945,159) |
| Cost of finished goods | 10,260,893 |
| Add: Finished products at the beginning of the period | 692,520 |
| Purchase finished products | 928,158 |
| Transfer in various expenses | 25,070 |
| Less: Finished products at the end of the period (including inventories in transit) | (807,244) |
| Sale cost | 11,099,397 |
| Loss of inventory fall | 208,459 |
| Raw materials on sale | 162,423 |
| Sell semi-finished products | 945,159 |
| Operating costs | **$ 12,415,438** |

## BenQ Materials Corporation

## Statement of Sales and Marketing Expenses

## January 1 to December 31, 2022

Unit: NT$ thousand

| Items | Amount |
|---|---|
| Compensation expenditure | $ 277,912 |
| Advertising expenses | 108,002 |
| Shipping expenses | 77,830 |
| Insurance expenses | 34,669 |
| Commission expenses | 34,030 |
| Other expenses (all less than 5%) | 143,343 |
| | **$ 675,786** |

## Statement of Management Expenses

| Items | Amount |
|---|---|
| Compensation expenditure | $ 149,164 |
| Service expenses | 17,634 |
| Directors' remuneration | 13,619 |
| Insurance expenses | 11,707 |
| Other expenses (all less than 5%) | 53,038 |
| | **$ 245,162** |

# BenQ Materials Corporation

## Statement of Research and Development Expenses

## January 1 to December 31, 2022

**Unit: NT$ thousand**

| Items | Amount |
|---|---|
| Compensation expenditure | $ 345,925 |
| Indirect materials | 226,897 |
| Depreciation | 96,944 |
| Others (less than 5%) | 181,390 |
| | **$ 851,156** |

Financial assets measured at fair value through profit and loss - Please refer to Note 6 (2) of the Parent Company Only Financial Statement for the current list

Please refer to Note 6 (5) of the Parent Company Only Financial Statement for the list of other receivables

Please refer to Note 6 (9) of the Parent Company Only Financial Statement for the list of changes in property, plant and equipment

Please refer to Note 6 (9) of the Parent Company Only Financial Statement for the list of changes in accumulated depreciation of property, plant and equipment

Please refer to Note 6 (10) of Parent Company Only Financial Statement for the list of changes in right-of-use assets

Please refer to Note 6 (11) of the Parent Company Only Financial Statement for the list of changes in intangible assets

Please refer to Note 6 (16) of the Parent Company Only Financial Statement for the list of deferred income tax assets

Please refer to Note 6 (2) of the Parent Company Only Financial Statement for the financial liabilities measured at fair value through profit and loss - current

Please refer to Note 6 (16) of the Parent Company Only Financial Statement for the list of deferred income tax liabilities

Please refer to Note 6 (21) of the Parent Company Only Financial Statement for the list of other income

Please refer to Note 6 (21) of the Parent Company Only Financial Statement for the list of other net profits and losses

Please refer to Note 6 (21) of the Parent Company Only Financial Statement for the list of financial costs

Please refer to Note 7 of the Parent Company Only Financial Statement for the list of account receivables - related parties

Please refer to Note 7 of the Parent Company Only Financial Statement for the list of other receivables - related parties

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