

BENQ MATERIALS CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements
With Independent Auditors' Report
For the Three Months Ended March 31, 2021 and 2020

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

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Independent Auditors' Report

To the Board of Directors of BenQ Materials Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of BenQ Materials Corp. and its subsidiaries as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 6 (7), the equity accounted investments of BenQ Materials Corp. and its subsidiaries in the investee companies amounted to \$192,254 thousand and \$209,429 thousand as of March 31, 2021 and 2020, respectively, as well as the equity in net earnings on the joint ventures using the equity method of \$11,970 thousand and \$10,353 thousand for the three months ended March 31, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by the investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of BenQ and its subsidiaries as of March 31, 2021 and 2020, and the consolidated financial performance and the consolidated cash flows for the three months ended March 31, 2021 and 2020, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS No. 34 "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG
Taipei, Taiwan
Republic of China
May 6th, 2021

Review only, not audited in accordance with generally accepted auditing standards as of March 31, 2021 and 2020

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020 and March 31, 2020

(Unit: NT\$ thousand)

Assets	March 31, 2021		December 31, 2020		March 31, 2020			Liabilities and Equity	March 31, 2020		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:						
I100 Cash and cash equivalents (Note 6 (1))	\$ 131,227	1	148,243	1	261,282	1	2100	Short-term borrowings (Note 6 (12))	\$ -	-	150,000	1	23,800	-
I110 Financial assets at fair value through profit or loss – Current (Note 6 (2))	4,645	-	18,258	-	16,622	-	2120	Financial liabilities at fair value through Profit or loss – Current (Note 6 (2))	61,339	-	5,838	-	352	-
I120 Financial assets at fair value through other comprehensive income - Current (Note 6 (3))	66,780	1	57,809	-	95,360		2170	Accounts payable	3,334,448	30	3,421,461		3,010,884	29
							2180	Accounts payable to related parties (Note 7)	78,759	1	29,766	31	12,978	-
I170 Notes receivable, net account (Note 6 (4) (20))	1,582,298	14	1,396,423	13	1,735,537	16	2200	Other payables (Note 6 (21))	1,127,379	10	1,183,091	11	979,254	9
I180 Accounts receivable - Related parties, net amount (Note 6 (4) (20) and 7)	799,953	7	954,445	9	210,116	2	2220	Other payables – Related parties (Note 7)	20,755	-	16,218	-	17,606	-
I200 Other receivables (Note 6 (4) (5) and 7)	234,757	2	221,153	2	194,431	2	2281	Lease liabilities – Current (Note 6 (14))	2,350	-	2,626	-	3,170	-
I210 Other receivable - Related parties (Note 6 (5) and 7)	75	-	55	-	68	-	2282	Lease liabilities – Related parties – Current (Note 6 (14) and 7)	90,788	1	82,289	1	80,763	1
I310 Inventories net (Note 6 (6))	2,386,801	21	2,404,889	22	2,168,625	21	2399	Other current liabilities	87,217	1	79,570	1	128,091	1
I470 Other current assets	377,921	4	334,982	3	234,106	2		Total current liabilities	<u>4,803,035</u>	<u>43</u>	<u>4,970,859</u>	<u>45</u>	<u>4,256,898</u>	<u>40</u>
I476 Other financial assets – Current (Note 8)	8,978	-	15,836	-	5,132	-		Non-current liabilities						
Total current assets	<u>5,593,435</u>	<u>50</u>	<u>5,552,093</u>	<u>50</u>	<u>4,921,279</u>	<u>46</u>	2540	Long-term borrowings (Note 6 (13) and 8)	1,681,310	15	1,614,624	15	2,064,000	19
Noncurrent assets:							2570	Deferred tax liabilities	6,352	-	7,018	-	5,961	-
I517 Financial assets at fair value through other comprehensive income – Non-current (Note 6 (3))	5,400	-	1,500	-	-	-	2581	Lease liabilities – Non-current (Note 6 (14))	4,883	-	5,745	-	6,807	-
							2582	Lease liabilities – Related parties - Non-current (Note (14) and 7)	68,930	1	91,779	1	159,255	2
I550 Investment accounted for using equity method (Note 6 (7))	192,254	2	196,876	2	209,429	2	2600	Other non-current liabilities (Note 6 (13))	44,801	1	46,651	-	30,407	-
I600 Real estate, plant, and equipment (Note 6 (8) and 8)	4,381,350	39	4,349,216	39	4,375,888	41		Total non-current liabilities	<u>1,806,276</u>	<u>17</u>	<u>1,765,817</u>	<u>16</u>	<u>2,266,430</u>	<u>21</u>
I755 Right-of-use asset (Note 6 (9))	199,766	2	221,590	2	284,265	3		Total liabilities	<u>6,609,311</u>	<u>60</u>	<u>6,736,676</u>	<u>61</u>	<u>6,523,328</u>	<u>61</u>
I760 Net Investment property (Note 6 (10))	451,486	4	457,097	4	467,763	4		Equity (Note 6 (18))						
I780 Intangible assets (Note 6 (11) and 7)	36,753	-	34,254	-	43,599	1	3110	Common stock	3,206,745	29	3,206,745	29	3,206,745	30
I840 Deferred tax assets	174,271	2	174,259	2	244,961	2	3200	Capital reserve	11,428	-	11,427	-	11,441	-
I920 Guarantee deposits paid	15,801	-	13,930	-	14,289	-		Retained earnings						
I995 Other non-current assets	54,342	1	58,636	1	98,134	1	3310	Legal reserve	277,665	3	277,665	3	251,953	3
Total non-current assets	<u>5,511,423</u>	<u>50</u>	<u>5,507,358</u>	<u>50</u>	<u>5,738,328</u>	<u>54</u>	3320	Special reserve	33,896	-	33,896	-	-	-
							3350	Balance of retained earnings	1,042,879	9	876,576	8	733,114	7
							3400	Other equity	(77,066)	(1)	(83,534)	(1)	(66,974)	(1)
								Total equity	<u>4,495,547</u>	<u>40</u>	<u>4,322,775</u>	<u>39</u>	<u>4,136,279</u>	<u>39</u>
Total Assets	<u>\$11,104,858</u>	<u>100</u>	<u>11,059,451</u>	<u>100</u>	<u>10,659,607</u>	<u>100</u>		Total liabilities and equity	<u>\$ 11,104,858</u>	<u>100</u>	<u>11,059,451</u>	<u>100</u>	<u>10,659,607</u>	<u>100</u>

(See the attached notes to the Consolidated Financial Statements)

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

General Manager: Ray, Liu

Accounting Manager: James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2021 and 2020**

(Unit: NT\$ thousand)

		Three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4110	Net sales revenue (Note 6 [20] , 7 and 14)	\$ 4,076,282	100	3,443,606	100
5000	Operating expenses				
	(Note 6 [6] , [8] , [9] , [10] , [11] , [14] , [16] , [21] , 7 and 12)	(3,464,690)	(85)	(2,946,713)	(86)
	Gross operating profit	611,592	15	496,893	14
	Operating expenses: (Note 6 [4] , [8] , [9] , [11] , [14] , [16] , [21] , 7 and 12):				
6100	Selling expenses	(222,144)	(5)	(208,607)	(6)
6200	General and administrative expenses	(62,229)	(2)	(51,780)	(2)
6300	Costs of research and development	(178,717)	(4)	(153,676)	(4)
		(463,090)	(11)	(414,063)	(12)
	Net operating income	148,502	4	82,830	2
	Non-operating income and expenses (Note 6 [7] , [13] , [14] , [22] and 7):				
7100	Interest revenue	120	-	252	-
7010	Other income	4,912	-	884	-
7020	Other profits and loss	57,641	1	(29,641)	(1)
7050	Financial cost	(10,727)	-	(20,156)	-
7370	Share of profits of associates accounted for using the equity method	11,970	-	10,353	-
		(63,916)	1	(38,308)	(1)
	Income before income tax	212,418	5	44,522	1
7950	Less: Income tax expense (Note 6 [17])	(46,115)	(1)	(11,956)	-
	Net profit	166,303	4	32,566	1
8310	Other comprehensive income:				
	Items that will not be reclassified to profit or loss (Note 6 [18])				
		-	-	-	-
8316	Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	8,971	-	(5,872)	-
8349	Income tax related to items that will not be reclassified	-	-	-	-
		8,971	-	(5,872)	-
8360	Items that may be reclassified subsequently to profit or loss (Note 6 [7] , [18])				
8361	Exchanges differences arising on translation of financial statements of foreign operations	5,162	-	(18,747)	(1)
8370	Share of other comprehensive income of associates accounted for using the equity method	(7,665)	-	(8,459)	-
8399	Income tax related to items that may be reclassified	-	-	-	-
		(2,503)	-	(27,206)	(1)
		6,468	-	(33,078)	(1)
	Other Comprehensive Income (Loss)				
8500	Total comprehensive income for the period	172,771	4	(512)	
	Net profit after tax for the period attributable to:				
	Owners of the parent company	\$ 166,303	4	32,566	1
	Total comprehensive income attributable to:				
	Owners of the parent company	\$ 172,771	4	(512)	-
	Earnings per share (Unit: NT\$, Note 6 [19])				
9750	Basic earnings per share	\$ 0.52		0.10	
9850	Diluted earnings per share	\$ 0.52		0.10	

(See the attached notes to the Consolidated Financial Statements)

Chairman: Zhién-Chi (Z.C.) Chen

General Manager: Ray, Liu

Accounting Manager: James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020**

(Unit: NT\$ thousand)

	Profit and / loss attributable to the owners of parent company						Other equity items				
	Retained earnings										
	Common stock	Capital reserve	Legal reserve	Special reserve	Balance of retained earnings	Total	Exchange differences arising on translation	Unrealized profits and losses of financial assets at fair value through other comprehensive income	Remeasurement of defined welfare plan	Total	Total equity
Balance as of January 1, 2020	\$ 3,206,745	5,618	251,593	-	700,548	952,501	(36,865)	22,832	(19,863)	(33,896)	4,130,968
Net profit	-	-	-	-	32,566	32,566	-	-	-	-	32,566
Other Comprehensive Income (Loss)	-	-	-	-	-	-	(27,206)	(5,872)	-	(33,078)	(33,078)
Total comprehensive income for the period	-	-	-	-	32,566	32,566					(512)
Change in capital surplus from investments in associates under equity method	-	5,823	-	-	-	-	-	-	-	-	5,823
Balance as of March 31, 2020	\$ 3,206,745	11,441	251,953	-	733,114	985,067	(64,071)	16,960	(19,863)	(66,974)	4,136,279
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
Net profit	-	-	-	-	166,303	166,303	-	-	-	-	166,303
Other Comprehensive Income (Loss)	-	-	-	-	-	-	(2,503)	8,971	-	6,468	6,468
Total comprehensive income for the period	-	-	-	-	166,303	166,303	(2,503)	8,971	-	6,468	172,771
Change in capital surplus from investment associates under equity method	-	1	-	-	-	-	-	-	-	-	1
Balance as of March 31, 2021	\$ 3,206,745	11,428	277,665	33,896	1,042,879	1,354,440	(43,449)	(11,620)	(21,997)	(77,066)	4,495,547

(See the attached notes to the Financial Consolidated Statements)

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

General Manager: Ray, Liu

Accounting Manager: James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Unit: NT\$ thousand)

	Three months ended March 31	
	2021	2020
Cash flows from operating activities:		
Income before income tax for the period	\$ 212,418	44,522
Adjusted item:		
Depreciation	137,268	149,159
Amortization expenses	10,590	10,172
Expected credit losses	-	68
Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss	69,114	(9,565)
Interest expenses	10,727	20,156
Interest revenue	(120)	(252)
Share of profit of affiliated companies accounted for under the equity method	(11,970)	(10,353)
Profits from disposal of real estate, plant and equipment	(112)	-
Losses from disposal of investment	8,928	-
Other non-current assets amortized to expenses	37,596	32,280
Amortization of syndication fee costs	475	475
Profits of lease amendment	(2)	-
Total adjustments to reconcile profit (loss)	262,494	192,140
Changes in operating assets / liabilities:		
Net changes in operating assets:		
Decrease (increase) in notes receivable and accounts	(170,559)	54,573
Account receivables – Decrease (increase) in related parties	125,262	(132,385)
Decreases (increases) in other receivables	310	(2,257)
Other accounts receivables – Related parties decrease (increase)	(20)	96
Decrease (increase) in inventory	18,088	(205,108)
Decrease (increase) in other financial instruments – Current	(70,072)	9,347
Increase in other assets – Non-current	(9)	(28)
Total net changes in operating assets	(97,000)	(275,762)
Net changes in operating liabilities:		
Increase (decrease) in account payable	(87,013)	440,366
Increase (decrease) in account payable - Related parties	48,993	(8,852)
Decrease in other payables	(104,386)	(141,298)
Increase (decrease) in other payables – Related parties	4,537	(671)
Increase in other current liabilities	7,647	12,419
Decrease in net defined benefit liability	(456)	(474)
Total net changes in operating liabilities	(130,678)	(301,490)
Total net changes in operating assets and liabilities	(227,678)	25,728

(Continued on the next page)

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the three months ended March 31, 2021 and 2020

(Unit: NT\$ thousand)

	Three months ended March 31	
	2021	2020
Total adjustments	34,816	(217,868)
Cash inflow generated from operations	247,234	262,390
Interest received	120	252
Interest payment	(10,572)	(19,896)
Income tax paid	(2,815)	(5,636)
Net cash flow operating activities	233,967	237,110
Cash flows from investing activities:		
Proceeds from acquisitions of financial assets at fair value through other comprehensive income	\$ (3,900)	-
Acquisition of real estate, plant and equipment	(133,484)	(153,407)
Disposal of real estate, plant and equipment	665	-
Decrease (increase) in guarantee deposits paid	(1,871)	2,913
Acquisition of intangible assets	(13,039)	(9,108)
Decrease (increase) in other financial assets	6,858	(493)
Increase in other non-current assets	(3,686)	(30,848)
Net cash outflows from investing activities	(148,457)	(190,943)
Cash flow from financing activities:		
Increase in short-term loans	(15,000)	(33,000)
Proceeds from long-term borrowings	1,165,800	3,464,000
Repayments of long-term borrowings	(1,100,000)	(3,393,000)
Decrease in guarantee deposits received	(508)	(243)
Repayments of lease principal	(15,170)	(22,893)
Net cash flows (outflows) from financing activities	(99,878)	(18,464)
Impact on exchange rates changes	(2,648)	3,997
Increase (decrease) in cash and cash equivalents for the period	(17,016)	65,028
Cash and cash equivalents at beginning of year	148,243	196,254
Cash and cash equivalents at end of year	\$ 131,227	261,282

(See the attached notes to the Consolidated Financial Statements)

Chairman:

Zhien-Chi (Z.C.) Chen

General Manager:

Ray, Liu

Accounting Manager:

James, Wang

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unless otherwise indicated, the unit for all amounts is in NT\$ thousand.)

1. Company History

BenQ Materials Corporation (hereinafter referred to as "the Company," formerly known as Daxon Technology Inc. and had renamed in June 1999) was established on July 16, 1998, with the approval of the Ministry of Economic Affairs. The registered address is No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333403, Taiwan (R.O.C.). The main business items of the Company and its subsidiaries (hereinafter referred to as "the Combined Company") are manufacturing and sales of film sheet products and medical equipment.

2. Date and Procedures of Authorization of Financial Statements

The Consolidated Financial Statements were published upon approval by the Board of Directors on May 6, 2021.

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, 2021.

- Amendments to IFRS 4 "Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IAS 16 "Changes in Interest Rate Indicators - Phase 2."

- b. 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 issue by ISAB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet. The amendments also clarify the classification rules for debts companies might settle by converting them into equity.	2023.1.1

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 17 "Insurance Contract"
- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"
- Annual Improvements to IFRSs 2018-2020 cycle-
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure to the Accounting Policy"
- Amendments to IAS 8 "Definition to the Accounting Evaluation"

4. Summary of Significant Accounting Policies:

(1) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the International Accounting Standards 34, "Interim financial reporting" as endorsed by the FSC. The Company's accompanying consolidated financial statements have been prepared in accordance with the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020. Refer to Note 4 for the consolidated financial statements for the year ended December 31, 2020 for the details.

(2) Basis of consolidation

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

Invest ment compa ny name	Subsidiary name	Business type	Proportion of ownership(%)			Description
			March 31, 2021	December 31, 2020	March 31, 2020	
BenQ	BenQ Materials (L) Co. (BMLB)	Holding company	100.00	100.00	100.00	-
BenQ	Sigma Medical Supplies Corp. ("SMS")	Manufacture and sales of medical consumables and equipment	100.00	100.00	100.00	-
BMLB	BenQ Material Co., Ltd. ("BMS")	Manufacture of optoelectronics	100.00	100.00	100.00	-
BMLB	Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Provision of services and sales of related products such as medical equipment	100.00	100.00	100.00	-
BMLB	BenQ Materials (Wuhu) Co., Ltd	Manufacture and sales of optoelectronics and cosmetics	100.00	100.00	100.00	-
BMLB	BenQ Materials Medical (Suzhou) Corporation (BMM)	Manufacture and sales of medical consumables and equipment	100.00	100.00	100.00	-
SMS	Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	100.00	100.00	100.00	-

(b) List of subsidiaries which excluded in the Consolidated Financial Statements: None.

(3) Employee benefits

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

(4) Income taxes

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

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

5. The Primary Sources of Uncertainties in Major Accounting Judgement Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34, "Interim Financial Reporting", as endorsed and issued into effect by the FSC requires management to make judgments,

estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2020.

6. Description of Significant Accounts

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those described in note 6 of the consolidated financial statements for the year ended December 31, 2020.

(1) Cash and Cash Equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Working capital	\$ 181	199	349
Demand deposit and cheque deposit	131,046	148,044	260,933
	\$ 131,227	148,243	261,282

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

	March 31, 2021	December 31, 2020	March 31, 2020
Mandatory financial assets measured at fair value through profit or loss – current:			
Foreign currency forward contracts	\$ 402	11,112	14,953
Foreign exchange swaps	4,243	7,146	1,669
	\$ 4,645	18,258	16,622

	March 31, 2021	December 31, 2020	March 31, 2021
Financial liabilities held for trading – current:			
Foreign currency forward contracts	\$ (61,339)	(5,838)	(352)

Fair value remeasurement was recognized in profit or loss. Refer to Note 6 [22] for details.

1) Derivatives

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

a. Foreign currency forward contracts

March 31, 2021		
Contract amount (NT\$ thousands)	Type of currency	Due date
RMB 9,767	Sell RMB / Buy USD	April 15, 2021
USD 50,000	Sell USD / Buy JPY	April 23, 2021 – July 21, 2021
USD 6,500	Sell USD / Buy NTD	April 23, 2021

December 31, 2020		
Contract amount (NT\$ thousands)	Type of currency	Due date
RMB 39,244	Sell RMB / Buy USD	January 8, 2021
USD 48,000	Sell USD / Buy JPY	January 22, 2021 – March 24, 2021
USD 12,000	Sell USD / Buy NTD	January 4, 2021 – January 22, 2021

March 31, 2020		
Contract amount (NT\$ thousands)	Type of currency	Due date
RMB 35,233	Sell RMB / Buy USD	April 9, 2020
USD 38,400	Sell USD / Buy JPY	April 24, 2019 – June 24, 2020
USD 6,000	Sell USD / Buy NTD	April 24, 2020

b. Foreign exchange swaps

March 31, 2021		
Contract amount (NT\$ thousands)	Type of currency	Due date
USD 48,000	Sell USD / Buy NTD	April 29, 2021

December 31, 2020		
Contract amount (in thousands)	Type of currency	Due date
USD 40,000	Sell USD / Buy NTD	January 29, 2021

March 31, 2020		
Contract amount (in thousands)	Contract item	Due date
USD 40,000	Sell USD / Buy NTD	April 30, 2020

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

	March 31, 2021	December 31, 2020	March 31, 2020
Equity instruments measured at fair value through other comprehensive income:			
Taiwan	\$ 66,780	57,809	95,360
Unlisted stocks	5,400	1500	-
	\$ 72,180	50,309	95,360
Current	\$ 66,780	57,809	95,360
Noncurrent	5,400	1,500	-
	\$ 72,180	101,032	95,360

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

For the three months ended March 31, 2021 and 2020, no disposal of investments was conducted and hence no transfer of cumulative profit or loss was recognized.

(4) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 15,391	16,804	17,577
Accounts receivable	1,588,610	1,403,099	1,741,130
Deduction: allowance for loss	(21,703)	(23,480)	(23,170)
	1,582,298	1,396,423	1,735,537
Accounts receivable - related parties	799,953	954,445	210,116
	\$ 2,382,251	2,350,668	1,945,653

- 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 March 31, 2021, December 31, 2020 and March 31, 2020 was as follows:

	March 31, 2021		
	Book amounts of accounts receivables and bills	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,382,674	0.0178%	423
Past due over 91 days	21,280	100%	21,280
	\$ 2,403,954		21,703

December 31, 2020			
	Book amount of accounts receivables and bills	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$2,349,987	0.069%	397
Past due 1~30 days	1,303	1.9186%	25
Past due over 91 days	23,058	100%	23,058
	\$ 2,374,348		23,480

March, 2020			
	Book amount of accounts receivables and bills	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 1,945,925	0.02%	394
Past due 1~30 days	133	9.02%	12
Past due 31~90 days	4	75.00%	3
Past due over 91 days	22,761	100%	22,761
	\$ 1,968,823		23,170

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

	Three Months Ended March 31	
	2021	2020
Balance at the beginning of the year	\$ 23,480	23,359
Impairment Loss	-	68
Unrecoverable money offset for the period	(1,847)	-
Gain and Loss of foreign exchange	70	(257)
Balance at the end of the year	\$ 21,703	23,170

- 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:

March 31, 2021

Sale object	Sale amount	Amount still available in advance	Advance amount	Show as other receivables (Note 6 [5])	Range of interest rates	Other important matters
Taipei Fubon Commercial Bank	\$ 665,118	-	571,696	93,422	0.79%~0.85%	None
KGI Bank	243,131		218,755	24,376	1.01%	None
E.Sun Commercial Bank	122,589	-	110,244	12,345	0.87%~0.88%	None
	<u>\$1,030,838</u>	<u>-</u>	<u>900,695</u>	<u>130,143</u>		

December 31, 2020

Sale object	Sale amount	Amount still available in advance	Advance amount	Show as other receivables (Note 6 [5])	Range of interest rates	Other important matters
Taipei Fubon Commercial Bank	\$ 573,865	-	469,322	104,543	0.82%~1.13%	None
KGI Bank	233,957	-	208,894	25,063	1.04%~1.05%	None
E.Sun Commercial Bank	156,469	-	140,616	15,853	0.88%	None
	<u>\$ 964,291</u>	<u>-</u>	<u>818,832</u>	<u>145,459</u>		

March 31, 2020

Sale object	Sale amount	Amount still available in advance	Advance amount	Show as other receivables (Note 6 [5])	Range of interest rates	Other important matters
Taipei Fubon Commercial Bank	\$ 302,789	-	272,286	30,503	3.17%~3.38%	None
E.Sun Commercial Bank	165,888	-	149,152	16,736	2.28%~2.75%	None
	<u>\$ 468,677</u>	<u>-</u>	<u>421,438</u>	<u>47,239</u>		

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.

(5) Other receivables

	March 31,2021	December 31,2020	March 31,2020
Other receivables – account receivables sale minus advance price balance (Note 6 [4] and 7)	\$ 232,926	219,012	190,246
Other receivables - other	1,831	2,141	4,185
Other receivables - related parties	75	55	68
	<u>234,832</u>	<u>221,208</u>	<u>194,499</u>
Deduction: Allowance for loss	-	-	-
	<u>\$ 234,832</u>	<u>221,208</u>	<u>194,499</u>

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

(6) Inventories

	March 31, 2021	December 31, 2020	June 30, 2020
Raw materials	\$ 1,210,373	1,252,982	993,849
Work in process	503,902	520,005	663,021
Finished goods	672,256	631,902	511,755
	<u>\$ 2,386,801</u>	<u>2,404,889</u>	<u>2,168,625</u>

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

	Three Months Ended March 31	
	2021	2020
Inventories cost has been sold	\$ 3,348,843	2,880,433
Inventory falling price loss	107,119	54,572
	<u>\$ 3,455,962</u>	<u>2,935,005</u>

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

(7) Investments accounted by equity method

	March 31, 2021 (Not audited)	December 31, 2020	March 31, 2020 (Not audited)
Joint ventures	<u>\$ 192,254</u>	<u>196,876</u>	<u>209,429</u>

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

	Three Months Ended March 31	
	2021	2020
Joint ventures	\$11,970	10,353

(a) Joint ventures

Taikebio Co., Ltd was dissolved by shareholders' meeting in January 28, 2021 and conducted the liquidation procedure, therefore, the Combined Company had lost the important influence for Taiebio Co., Ltd and lost 8,928 thousand on disposal of investment.

In August 2020, the Combined Company disposing of some of the equity of Visco with a cash amount of NT\$ 14,955 thousand resulting in disposal of an investment benefit of NT\$ 11,975 thousand but it did not result in a significant loss of influence.

In July and September 2020, the Combined Company invested NT\$ 10,001 thousand and NT\$ 6,000 thousand in cash in Taikebio Co., Ltd. and MLK Bioscience Co., Ltd. both of which acquired 20% of the equity, because it served as the Company directors also have the ability to participate in decision-making, so they have significant influence and are evaluated by the equity method.

As the affiliated companies of the Combined Company adopting the equity method are individually insignificant, their financial information is summarized as follows. Such financial information is the amount included in the Consolidated Financial Statements:

	March 31, 2021	December 31, 2020	March 31, 2020
The carrying amount of equity of individually immaterial associates at end of period	\$ 192,254	196,876	209,429

	Three months ended March 31	
	2021	2020
Share attributable to the Combined Company:		
Net profit	\$ 11,970	10,353
Other comprehensive income	(7,665)	(8,459)
Total comprehensive income	\$ 4,305	1,894

(b) Investments accounted by equity method not reviewed

The Company's share of the profit and other comprehensive income from the investments accounted by equity method of the financial statements were not reviewed by independent auditors.

(8) Real estate, plant and equipment

	Land	Housing and buildings	Machinery equipment	Others	Total
Cost:					
Balance as of January 1, 2021	\$ 1,477,219	3,208,141	5,845,067	2,332,464	12,862,891
Addition	-	29,372	15,374	88,821	133,567
Disposal	-	-	(17,625)	-	(17,625)
Reclassification and effect of foreign exchange rate changes	-	311,334	30,636	(330,191)	11,779
Balance as of March 31, 2021	<u>\$ 1,477,219</u>	<u>3,548,847</u>	<u>5,873,452</u>	<u>2,091,094</u>	<u>12,990,612</u>
Balance as of January 1, 2020	\$ 1,477,219	3,115,137	5,780,134	2,115,547	12,488,037
Addition	-	940	19,632	136,573	157,145
Disposal	-	(292)	(14,687)	(3,071)	(18,050)
Reclassification and effect of foreign exchange rate changes	-	70,465	5,365	(107,566)	(31,736)
Balance at March 31, 2020	<u>\$ 1,477,219</u>	<u>3,186,250</u>	<u>5,790,444</u>	<u>2,141,483</u>	<u>12,595,396</u>
Accumulated depreciation:					
Balance as of January 1, 2021	\$ -	1,895,311	4,970,576	1,647,788	8,513,675
Depreciation	-	31,850	55,385	21,260	108,495
Disposal	-	-	(17,072)	-	(17,072)
Reclassification and effect of foreign exchange rate changes	-	(1,922)	(1,852)	390	4,164
Balance as of March 31, 2021	<u>\$ -</u>	<u>1,929,083</u>	<u>5,010,741</u>	<u>1,669,438</u>	<u>8,609,262</u>
Balance as of January 1, 2020	\$ -	1,771,061	4,828,067	1,531,636	8,130,764
Depreciation	-	29,990	52,374	34,601	116,965
Disposal	-	(292)	(14,687)	(3,071)	(18,050)
Reclassification and effect of foreign exchange rate changes	-	6,608	2,148	(1,415)	(10,171)
Balance at March 31, 2020	<u>\$ -</u>	<u>1,794,151</u>	<u>4,863,606</u>	<u>1,561,751</u>	<u>8,219,508</u>
Carrying value:					
January 1, 2021	<u>\$ 1,477,219</u>	<u>1,312,830</u>	<u>874,491</u>	<u>684,676</u>	<u>4,349,216</u>
March 31, 2021	<u>\$ 1,477,219</u>	<u>1,619,764</u>	<u>862,711</u>	<u>421,656</u>	<u>4,381,350</u>
January 1, 2020	<u>\$ 1,477,219</u>	<u>1,344,076</u>	<u>952,067</u>	<u>583,911</u>	<u>4,357,273</u>
March 31, 2020	<u>\$ 1,477,219</u>	<u>1,392,099</u>	<u>926,838</u>	<u>579,732</u>	<u>4,375,888</u>

For the details of real estate, plant and equipment that have been used as guarantee for long-term loans and financing lines, please refer to note 8 for details.

(9) Right-of-use assets

	Land use rights	Housing buildings	Total
Right-of-use assets cost:			
Balance as of January 1, 2021	\$ 63,007	426,531	489,538
Lease amendment	-	(389)	(389)
Effect of changes in exchange rate	208	(2)	206
Balance as of March 31, 2021	<u>\$ 63,215</u>	<u>426,140</u>	<u>489,355</u>
Balance as of January 1, 2020	\$ 62,883	465,035	527,918
Disposal	-	(39,670)	(39,670)
Effect of changes in exchange rate	(759)	-	(759)
Balance as of March 31, 2020	<u>\$ 62,124</u>	<u>425,365</u>	<u>487,489</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2021	\$ 13,666	254,282	267,948
Depreciation	322	21,346	21,668
Lease amendment	-	(73)	(73)
Effect of changes in exchange rate	46	-	46
Balance as of March 31, 2021	<u>\$ 14,034</u>	<u>275,555</u>	<u>289,589</u>
Balance as of January 1, 2020	\$ 12,356	208,990	221,346
Depreciation	321	21,380	21,701
Disposal	-	(39,670)	(39,670)
Effect of changes in exchange rate	(153)	-	(153)
Balance as of March 31, 2020	<u>\$ 12,524</u>	<u>190,700</u>	<u>203,224</u>
Carrying value:			
January 1, 2021	<u>\$ 49,341</u>	<u>172,249</u>	<u>221,590</u>
March 31, 2021	<u>\$ 49,181</u>	<u>150,585</u>	<u>199,766</u>
January 1, 2020	<u>\$ 50,527</u>	<u>256,045</u>	<u>306,572</u>
March 31, 2020	<u>\$ 49,600</u>	<u>234,665</u>	<u>284,265</u>

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.

(10) Investment property

	House and buildings	Land use rights	Total
Cost:			
Balance as of January 1, 2021	\$ 885,528	67,341	952,869
Effect of changes in exchange rate	2,921	222	3,143
Balance as of March 31, 2021	\$ 888,449	67,563	956,012
Balance at January 1, 2020	\$ 877,685	67,209	944,894
Effect of changes in exchange rate	(10,592)	(811)	(11,403)
Balance at March 31, 2020	\$ 867,093	66,398	933,491
Accumulated depreciation:			
Balance as of January 1, 2021	\$ 475,692	20,080	495,772
Depreciation	6,758	347	7,105
Effect of changes in exchange rate	1,582	67	1,649
Balance as of March 31, 2021	\$ 484,032	20,494	504,526
Balance at January 1, 2020	\$ 442,272	18,658	460,930
Depreciation	10,178	315	10,493
Effect of changes in exchange rate	(5,466)	(229)	(5,695)
Balance as of March 31, 2020	\$ 446,984	18,744	465,728
Carrying value:			
January 1, 2021	\$ 409,836	47,261	457,097
March 31, 2021	\$ 404,417	47,069	451,486
January 1, 2020	\$ 435,413	48,551	483,964
March 31, 2020	\$ 420,109	47,654	467,763

The fair value of the Company's investment property was not materially different from those disclosed in Note 6(11) of the consolidated financial statements for the year ended December 31, 2020.

(11) Intangible assets

	Patented technology	Purchased software	Other	Total
Cost:				
Balance as of January 1, 2021	\$ 47,116	218,155	1,490	266,761
Separate acquisition	-	13,039	-	13,039
Reclassification and effect of exchange rate changes	298	5	3	306
Balance as of March 31, 2021	<u>\$ 47,414</u>	<u>231,199</u>	<u>1,493</u>	<u>280,106</u>
Balance as of January 1, 2020	\$ 50,034	187,279	1,488	238,801
Separate acquisition	-	9,108	-	9,108
Reclassification and effect of exchange rate changes	246	(30)	(12)	204
Balance as of March 31, 2020	<u>\$ 50,280</u>	<u>196,357</u>	<u>1,476</u>	<u>248,113</u>
Accumulated amortization:				
Balance as of January 1, 2021	\$ 34,475	196,764	1,268	232,507
Amortization	1,734	8,781	75	10,590
Reclassification and effect of exchange rate changes	250	5	1	256
Balance as of March 31, 2021	<u>\$ 36,459</u>	<u>205,550</u>	<u>1,344</u>	<u>243,353</u>
Balance as of January 1, 2020	\$ 28,903	164,352	968	194,223
Amortization	1,924	8,173	75	10,172
Reclassification and effect of exchange rate changes	154	(27)	(8)	119
Balance as of March 31, 2020	<u>\$ 30,981</u>	<u>172,498</u>	<u>1,035</u>	<u>204,514</u>
Carrying amount:				
Balance as of January 1, 2021	<u>\$ 12,641</u>	<u>21,391</u>	<u>222</u>	<u>34,254</u>
Balance as of March 31, 2021	<u>\$ 10,955</u>	<u>25,649</u>	<u>149</u>	<u>36,753</u>
Balance as of January 1, 2020	<u>\$ 21,131</u>	<u>22,927</u>	<u>520</u>	<u>44,578</u>
Balance as of March 31, 2020	<u>\$ 19,299</u>	<u>23,859</u>	<u>441</u>	<u>43,599</u>

(12) Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank notes	\$ -	150,000	23,800
Used limit	<u>\$ 9,054,788</u>	<u>8,665,088</u>	<u>9,040,385</u>
Interest rate range	-	0.82%	1.19%

(13) Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank notes	\$ 871,310	864,624	764,000
Secured bank notes	810,000	750,000	1,300,000
Total	<u>\$ 1,681,310</u>	<u>1,614,624</u>	<u>2,064,000</u>
Unused limit	<u>\$ 3,252,890</u>	<u>3,318,690</u>	<u>2,953,000</u>
Expiry year (in year Republic of China)	112~119	112~119	110~119
Interest rate range	1.25%~1.30%	1.25%~1.30%	0.75%~1.43%

(a) Borrowings and repayments

For the three months ended March 31, 2021 and 2020, the Company's borrow amount of long-term loan was \$1,165,800 thousand and \$3,464,000 thousand. For the three months ended March 31, 2021 and 2020, the Company's repayment amount of long-term loan principal was \$1,100,000 thousand and \$3,393,000 thousand.

(b) Collateral for bank borrowings

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

(c) Low interest loan from government

The combined Company obtained low-interest bank loans in accordance with the "Action Plan for Welcoming Overseas Taiwanese Business to Return to Invest in Taiwan" in 2020. The actual repayment preferential interest rate is 0.75%~0.8%. As of March 31, 2021, December 31, 2020 and March 31, 2020, the actual amount of transfer amounted on \$887,110 thousand, \$881,310 thousand and \$764,000 thousand. The fair value of the loans was \$867,555 thousand, \$861,860 thousand and \$747,124 thousand based on the market interest rate of 1.25%~1.3%, and the difference of \$19,555 thousand, \$19,450 thousand and 16,876 thousand is regarded as the government subsidy and recognized as deferred income. As of three months ended March 31, 2021, the amount of the aforementioned deferred income transferred to "other income amounted to" amounted to \$991 thousand and \$0 thousand.

(d) Financial ratio agreement in loan contract

According to the provisions of the joint loan contract with the bank, the Combined Company shall calculate and maintain the agreed current ratio, debt ratio and minimum tangible net worth, and other financial ratios during the duration of the loan in accordance with the annual Consolidated Financial Statements verified by the accountant. If the aforementioned financial ratios do not meet the agreed standards, the Combined Company may submit an exemption application and improvement plan to the management bank in accordance with the provisions of the joint loan contract. Most syndicated lending banks do not regard it as a breach of contract until they reach a resolution.

The financial ratios of the Combined Company as of December 31, 2020 was in compliance with the agreed standards in the joint loan contract.

(14) Lease liabilities

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

	March 31, 2021	December 31, 2020	March 31, 2020
Current:			
Related parties	\$ 90,788	82,289	80,763
Non-related parties	\$ 2,350	2,626	3,170
Non-current:			
Related parties	\$ 68,930	91,779	159,255
Non-related parties	\$ 4,883	5,745	6,807

Please refer to note 6 (23) for the expiry analysis.

The amounts recognized in profit or loss were as follows:

	Three months ended March 31	
	2021	2020
Short-term lease expense	\$ 1,113	327
Interest expense of lease liabilities	\$ 816	1,223

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

	Three months ended March 31	
	2021	2020
Total cash flows on lease	\$ 17,099	24,443

(a) Lease of housings and buildings

The Combined Company leases houses and buildings as factories. The lease term of the plant is usually five years. If the lease expires, a new contract and price must be negotiated, the Combined Company will reassess the relevant right-of-use assets and lease liabilities.

(b) Other leases

The lease period for the part of the factory and automobiles that the Combined Company leases is one year. These leases are short-term leases. The Combined Company chooses to apply the exemption requirements and does not recognize its related right-of-use assets and lease liabilities.

(15) Operating leases - Leaser

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

(16) Employee benefits

(a) Defined benefit plans

Due to the report of December 31, 2020, there was no significant market volatility, significant curtailment, reimbursement and settlement or other significant one-time events. Therefore, the pension cost in the consolidated interim financial statements was measured and disclosed by the Company according to the pension cost valued by actuary as of December 31, 2020 and 2019.

The expenses recognized were as follows:

	Three months ended March 31	
	2021	2020
Operating costs	\$ 10	(11)
Operating expenses	(3)	7
	\$ 7	(4)

(b) Defined contribution plans

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

	Three months ended March 31	
	2021	2020
Operating costs	\$ 11,902	9,607
Operating expenses	7,079	5,959
	\$ 18,981	15,566

(17) Income taxes

(a) Income tax expenses:

	Three months ended March 31,	
	2021	2020
Income tax for the period	\$ 46,115	11,956

(b) There was no income tax that was directly recognized in equity or other comprehensive profit or loss for the three months ended in March 31, 2021 and 2020.

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

(d)

(18) Capital and other equity

(a) Common stock

As of March 31, 2021, December 31, 2020 and March 31, 2020, the total value of nominal common stocks amounted to NT\$ 4,000,000 thousand, with a par value of NT\$ 10 per share, consisting of 4,000,000 thousand shares issued. There were 320,675 thousand shares of ordinary shares already issued.

(b) Capital reserve

The details of capital surplus of the Combined Company were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Changes in net equity of associates accounted for using equity method	\$ 11,428	11,427	11,441

In accordance with the Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. The aforementioned realized capital reserve includes capital reserve resulting from premium on issuance of capital stock and earnings from donated assets received. In accordance with the provisions of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be capitalized, and the combined amount of any portions capitalized may not exceed 10% of the paid-in capital each year.

(c) Retained earnings

According to the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, tax should be paid first to make up for previous losses, 10% of the statutory surplus reserve should be raised, and the special surplus reserve should be set aside or converted according to laws and regulations. If there is still surplus and accumulate undistributed surplus, the Board of Directors shall draft a surplus distribution plan and submit it to the shareholders meeting for resolution and distribution.

If the aforementioned profit distribution proposal is based on cash dividends, the Board of Directors shall be authorized to make a resolution and report to the shareholders meeting.

According to the Company's Articles of Incorporation, the Company is a technology- and capital-intensive industry that is in the midst of a growth period. In order to cooperate with long-term capital planning and meet shareholders' demand for cash flow, the Company's dividend policy adopts a residual dividend policy to improve the Company's growth and sustainable operation. If the Company has a surplus after the annual final accounts, it shall pay taxes in accordance with the regulations to make up for the previous losses. The 10% of the second increase is the statutory surplus reserve, and after the special surplus reserve is drawn or converted in accordance with the law. If there is still a surplus, the dividend distribution shall not be less than 10% of the aforementioned calculated surplus. When dividends are distributed, in order to consider the needs of future expansion of the scale of operations and cash flow, the proportion of annual cash dividends shall not be less than 10% of the combined cash and stock dividends of the current year.

(a) Legal reserve

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

(b) Special reserve

According to FSC No. 1010012865 dated April 6, 2002, when the Company distributes the distributable surplus, the net deduction of other shareholders' equity in the current year is reported, and the same amount of special surplus reserve is drawn from the current profit and loss and the undistributed surplus in the previous period; for the deduction of other shareholders' equity accumulated in the previous period, the same amount of special surplus reserve shall not be distributed from the undistributed surplus in the previous period. If other stockholders' equity deductions are reversed afterward, the reversal may be applicable for the appropriation of earnings.

(c) Earnings distribution

The distributions of earnings in 2019 were resolved at the shareholders' meetings on June 18, 2020 as follows:

	2019	
	Earnings per share (TWD)	Amount
Dividends to shareholders	\$0.50	160,337

The distributions of cash dividends to shareholder in 2020 were determined by shareholder meeting as follows:

	2020	
	Earnings per share (TWD)	Amount
Dividends to shareholders	\$0.70	224,472

Relevant information can be inquired through channels such as public information observatories

(d) Other equity (after tax)

	Exchange differences arising on translation of financial statements of foreign operations	Remeasure ment of defined welfare plan	Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	Total
January 1, 2021	\$ (40,946)	(21,997)	(20,591)	(83,534)
The exchange differences yielded by net assets of overseas operating institutions:				
Consolidated company	5,162	-	-	5,162
Joint venture	(7,665)	-	-	(7,665)
Proceeds from the disposal of affiliated companies accounted for using equity method	-	-	8,971	8,971
Balance as of March 31, 2021	<u>\$ (43,449)</u>	<u>(21,997)</u>	<u>(11,620)</u>	<u>(77,066)</u>
Balance as of January 1, 2020	\$ (36,865)	(19,863)	22,832	(33,896)
The exchange differences yielded by net assets of overseas operating institutions:				
Consolidated company	(18,747)	-	-	(18,747)
Joint venture	(8,459)	-	-	(8,459)
Proceeds from the disposal of affiliated companies accounted for using equity method	-	-	(5,872)	(5,872)
Balance as of March 31, 2020	<u>\$ (64,071)</u>	<u>(19,863)</u>	<u>16,960</u>	<u>(66,974)</u>

(19) Earnings per share
(a) Basic earnings per share

	Three months ended March 31	
	2021	2020
Net profit attributable to holders of common equity of the Company	\$ 166,303	32,566
The weighted average number of shares outstanding (thousand shares)	320,675	320,675
Basic earnings per share (in dollars)	\$ 0.52	0.10

(b) Diluted earnings per share

	Three months ended March 31	
	2021	2020
Net profit attributable to holders of common equity of the Company	\$ 166,303	32,566
The weighted average number of shares outstanding (thousand shares)	320,675	320,675
Effect of potentially dilutive shares of common stocks (thousand shares)		
Employee bonuses	1,833	1,461
The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact)	322,508	322,136
Diluted earnings per share (in dollars)	\$ 0.52	0.10

(20) Revenue from contracts with customers
(a) Disaggregation of revenue

	Three months ended March 31, 2021		
	Film sheet segment	Others	Total
Primary geographical market:			
China	\$ 2,546,663	175,175	2,721,838
Taiwan	1,064,618	153,469	1,218,087
Others	83,124	53,233	136,357
	\$ 3,694,405	381,877	4,076,282
Major products/services:			
Optoelectronics	\$ 3,694,405	-	3,694,405
Others	-	381,877	381,877
	\$ 3,694,405	381,877	4,076,282

Three months ended March 31, 2020			
	Film sheet segment	Others	Total
Primary geographical market:			
China	\$ 2,036,780	126,484	2,163,264
Taiwan	1,048,479	117,447	1,165,926
Others	40,678	73,738	114,416
	\$ 3,125,937	317,669	3,443,606
Major products/services:			
Optoelectronics	\$ 3,125,937	-	3,125,937
Others	-	317,669	317,669
	\$ 3,125,937	317,669	3,443,606

(b) Contract balances

	March 3, 2021	December 31, 2020	March 31, 2020
Notes receivables and accounts receivables (including related parties)	\$ 2,403,954	2,374,348	1,968,823
Deduction: Allowance for loss	(21,703)	(23,480)	(23,170)
Total	\$ 2,382,251	2,350,868	1,945,653

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

(21) Employee and directors' compensation

According to the Company's Articles of Incorporation, if there is any profit in the year, 5-20% shall be allocated for employee compensation and no more than 1% for directors' compensation. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration. The employee compensation in the preceding paragraph may include employees of affiliated companies who meet certain conditions for the payment of stocks or cash.

For the three months ended March 31, 2021 and 2020, BenQ accrued the remuneration to employees amounting to \$23,582 thousand, and \$4,619 thousand, respectively, remuneration to directors amounting to \$1,769 thousand, and \$346 thousand respectively, and the remuneration to directors were estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

Remuneration to employees for 2020 and 2019, in the amounting to \$55,119 thousand and \$36,035 thousand, respectively, remuneration to directors amounting to \$4,134 thousand and \$2,703 thousand, respectively, in cash for payment had been approved in the meeting of board of directors. The information about the remuneration to employees and directors is available at the Market Observation Post System website.

(22) Non-operating profit and loss

(a) Interest revenue

Three months ended March 31, 2021		
	2021	2020
Interests on bank deposits	\$ 120	252

(b) Other Income

Three months ended March 31, 2021		
	2021	2020
Government subsidy revenue	\$ 4,912	884

(c) Other gains and losses

Three month ended March 31		
	2021	2020
Disposal of real estate, plant and equipment interests (losses)	\$ 112	-
Disposal of investments profits	(8,928)	-
Net foreign currency exchange losses	144,186	(17,512)
Net profits (losses) from financial assets (liabilities) measured at fair value through profits (losses) - Derivative instruments	(79,570)	(14,564)
Others	1,841	2,435
	\$ 57,641	(29,641)

(d) Finance costs

Three months ended March 31		
	2021	2020
Interest expense on bank loans	\$ (9,911)	(18,933)
Lease liabilities	(816)	(1,223)
	\$ (10,727)	(20,156)

(23) Types of financial instruments and fair value

Except as described below, both the goals and policies of the Company's financial risk management and the Company's exposure to credit risk, liquidity risk and market risk were not materially different from those disclosed in Note 6(24), (25) of the consolidated financial statements for the year ended December 31, 2020.

(a) Types of financial instruments

1) Financial assets

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets at fair value through profit or loss:			
Foreign currency forward contract	\$ 402	11,112	14,953
Foreign exchange swaps	4,243	7,146	1,669
Subtotal	4,645	18,258	16,622
Financial assets at fair value through profit or loss	72,180	59,309	95,360
Financial assets at amortized cost:			
Cash and cash equivalents	131,227	148,243	261,282
Notes and accounts receivable and other receivables (including related parties)	2,617,083	2,572,076	2,140,152
Other financial assets - current	8,978	15,836	5,132

Guarantee deposits paid	15,801	13,930	14,289
Subtotal	2,773,089	2,750,085	2,420,855
Total	<u>\$ 2,849,914</u>	<u>2,827,652</u>	<u>2,532,837</u>

2) Financial liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contract	\$ 61,339	5,838	352
Financial liabilities measured at amortized cost:			
Short-term borrowings	-	150,000	23,800
Notes and accounts payable and other payables (including related parties)	4,481,232	4,617,207	4,005,254
Long-term borrowings (including loans due within one year)	1,681,310	1,614,624	2,064,000
Lease liabilities – current and non-current (including related parties)	166,951	182,439	249,995
Guarantee deposit received	20,679	21,187	22,313
Subtotal	6,350,172	6,585,457	6,365,362
Total	<u>\$ 6,411,511</u>	<u>6,591,295</u>	<u>6,365,714</u>

(b) Liquidity risk

Current risk refers to the risk that the Combined Company fails to deliver cash or other financial assets to pay off financial liabilities and fails to fulfill relevant obligations. The Combined Company regularly monitors current and expected medium and long-term funding needs, and manages liquidity risks by maintaining sufficient cash and cash equivalents and bank financing lines, and ensuring compliance with the terms of the loan contract.

The unused loan amounts of the Combined Company as of March 31, 2021, December 31, 2020 and March 31, 2019 totaled \$ 12,307.678 thousand, \$ 11,983,778 thousand and \$ 11,993,385 thousand, respectively.

The following table illustrates the analysis of the remaining contractual maturity of financial liabilities during the agreed repayment period of the Combined Company, including interest payable, which is based on the earliest date on which the Combined Company may be required to repay and is compiled with undiscounted cash flows.

	Contractual cash flows	Within 6 months	6-12 months	1-5 years	More than 5 years
March 31, 2021					
Non-derivative financial liabilities					
Accounts payable (including related parties)	3,413,207	3,413,207	-	-	-
Other payables (including related parties)	1,068,025	1,068,025	-	-	-
Long-term borrowings (floating rate)	1,760,670	8,548	8,464	1,374,484	369,174
Lease liabilities (including related parties)	168,558	47,682	46,452	74,424	-
Guarantee deposit received	20,679	3,614	871	16,034	160
	<u>\$ 6,431,139</u>	<u>4,541,076</u>	<u>55,787</u>	<u>1,464,942</u>	<u>369,334</u>
Derivative financial instruments					
Foreign currency forward contracts - Total delivery:					
Inflow	\$ (1,593,993)	(1,593,993)	-	-	-
Outflow	1,654,930	1,654,930	-	-	-
Foreign exchange swaps - Net delivery	(4,243)	(4,243)	-	-	-
	<u>\$ 56,694</u>	<u>56,694</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

	Contractual cash flows	Within 6 months	6-12 months	1-5 years	More than 5 years
December 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 151,052	617	150,435	-	-
Accounts payable (including related parties)	3,451,227	3,451,227	-	-	-
Other payables (including related parties)	1,165,980	1,165,980	-	-	-
Long-term borrowings (floating rate)	1,692,558	8,059	8,155	1,310,787	365,557
Lease liabilities (including related parties)	186,104	39,854	47,708	98,542	-
Guarantee deposit received	21,187	4,074	912	15,981	220
	<u>\$ 6,668,108</u>	<u>4,669,811</u>	<u>207,210</u>	<u>1,425,310</u>	<u>365,777</u>
Derivative financial instruments					
Foreign currency forward contracts - Total delivery:					
Inflow	\$ (1,878,274)	(1,878,274)	-	-	-
Outflow	1,873,000	1,873,000	-	-	-
Foreign exchange swaps - Net delivery	(7,146)	(7,146)	-	-	-
	<u>\$ (12,420)</u>	<u>(12,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>
March 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 23,844	23,844	-	-	-
Accounts payable (including related parties)	3,023,862	3,022,117	1,745	-	-
Other payables (including related parties)	981,392	981,392	-	-	-
Long-term borrowings (including loans due within one year) (floating rate)	2,155,574	12,346	12,182	1,707,920	423,126
Lease liabilities (including related parties)	256,686	39,961	47,838	168,887	-
Guarantee deposit received	22,313	2,697	988	18,353	275
	<u>\$ 6,463,671</u>	<u>4,082,357</u>	<u>62,753</u>	<u>1,895,160</u>	<u>423,401</u>
Derivative financial instruments					
Foreign currency forward contracts - Total delivery:					
Inflow	\$ (1,506,496)	(1,506,496)	-	-	-
Outflow	1,491,895	1,491,895	-	-	-
Foreign exchange swaps - Net delivery	(1,669)	(669)	-	-	-
	<u>\$ (16,270)</u>	<u>(16,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Combined Company does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

(c) Exchange rate risk

The exchange rate risk of the Combined Company mainly comes from foreign currency denominated cash and cash equivalents, accounts receivable (payment) (including related parties), other receivables (payments) (including related parties), bank loans, etc. Foreign currency exchange gains and losses occur at the time of conversion. The book values of major monetary assets and liabilities of the Combined Company that are not denominated in functional currencies at the reporting date are as follows (including monetary items denominated in non-functional currencies that have been offset in the Consolidated Financial Statements):

Currency Unit: NT\$ Thousand					
March 31, 2021					
	Foreign currency	Exchange rate	New Taiwan Dollar	Exchange rate changes	Profit and loss impact
Financial assets					
Monetary items					
USD	\$ 96,708	28,530	2,759,079	1%	27,591
JPY	84,625	0.2579	21,825	1%	218
Financial liabilities					
Monetary items					
USD	45,078	28,530	1,286,075	1%	12,861
JPY	7,974,655	0.2579	2,056,664	1%	20,567

December 31, 2020					
	Foreign currency	Exchange rate	New Taiwan Dollar	Exchange rate changes	Profit and loss impact
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 92,367	28,350	2,618,604	1%	26,186
JPY	102,723	0.2749	28,239	1%	282
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	36,787	28,350	1,042,911	1%	10,429
JPY	7,228,465	0.2749	1,987,105	1%	19,871
March 31, 2020					
	Foreign currency	Exchange rate	New Taiwan Dollar	Exchange rate changes	Profit and loss impact
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 69,555	30,254	2,104,317	1%	21,043
JPY	71,070	0.2794	19,857	1%	199
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	33,472	30,254	1,012,662	1%	10,127
JPY	6,089,835	0.2794	1,701,500	1%	17,015

As the Company deal in diverse functional currencies, gains and losses on monetary items were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the three months ended March 31, 2021 and 2020, were \$144,186 thousand, and \$(17,512) thousand, respectively.

(d) Fair value information

1) Financial instruments not measured at fair value

The management of the Combined Company believes that the financial assets and financial liabilities of the Combined Company classified as amortized cost is close to their fair value in the Consolidated Financial Statements.

2) Financial instruments measured at fair value

The following financial instruments are measured at fair value on the basis of repeatability. The table below provides an analysis of financial instruments measured subsequent to initial recognition at fair value, which are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Each level of the fair value hierarchy is defined as follows:

- a. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- b. Level 2: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c. Level 3: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2021					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign currency forward contracts	\$ 402	-	402	-	402
Foreign exchange swaps	4,243	-	4,243	-	4,243
	<u>\$ 4,645</u>	<u>-</u>	<u>4,645</u>	<u>-</u>	<u>4,645</u>
Financial liabilities at FVTPL:					
Stocks listed in the emerging stock market in Taiwan	\$ 66,780	-	66,780	-	66,780
Non-listed Stocks	5,400	-	-	5,400	5,400
	<u>72,180</u>	<u>-</u>	<u>66,780</u>	<u>5,400</u>	<u>72,180</u>
Financial assets at FVTPL:					
Foreign currency forward contracts	\$ (61,339)	-	(61,339)	-	(61,339)

December 31, 2020					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign currency forward contract	\$ 11,112	-	11,112	-	11,112
Foreign exchange swaps	7,146	-	7,146	-	7,146
	<u>\$ 18,258</u>	<u>-</u>	<u>18,258</u>	<u>-</u>	<u>18,258</u>
Financial assets at FVTPL:					
Stocks listed in the emerging stock market in Taiwan	\$ 57,809	-	57,809	-	57,809
Non-listed stocks	1,500	-	-	1,500	1,500
	<u>59,309</u>	<u>-</u>	<u>57,809</u>	<u>1,500</u>	<u>59,309</u>
Financial liabilities at FVTPL:					
Foreign currency forward contract	\$ (5,838)	-	(5,838)	-	(5,838)

March 31, 2020					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Foreign currency forward Contract	\$ 14,953	-	14,953	-	14,953
Foreign exchange swaps	1,669	-	1,669	-	1,669
	<u>\$ 16,622</u>	<u>-</u>	<u>16,622</u>	<u>-</u>	<u>16,622</u>
Financial liabilities at FVTPL:					
Stocks listed in the emerging stock market in Taiwan	\$ 95,360	-	95,360	-	95,360
Financial liabilities at FVTPL:					
Foreign currency forward contract	\$ (352)	-	(352)	-	(352)

(e) The assessment methods and assumptions followed for assessing fair value

1) Non-derivative financial instruments

If there is open quotation to financial instruments at active market, then the open quotation will be taken as fair value.

If the public quotation of a financial instrument can be obtained from an exchange, broker, underwriter, industry association, pricing service agency or competent authority in a timely and frequent manner, and the price represents the actual and regular fair market transactions, then the financial instrument has an active market quotation. If the aforesaid conditions fail, the market is not deemed as active.

The fair value of the domestic stocks held by the Combined Company is estimated based on the average transaction price of the stock market on the day.

The fair value of the Combined Company's holding of unlisted stocks for which no active market exists is estimated by using the market approach, which refers to the valuation of similar entities, the net worth of an entity and the operating performance. In addition, the significant unobservable inputs mainly comprise liquidity discount, in which the possible changes would not result in a potentially material financial effect. Therefore, the Company does not disclose the quantitative information.

2) Derivative financial instruments

It is evaluated with evaluation model widely accepted by market users. Forward exchange contracts and exchange contracts are usually valued based on current forward exchange rates.

(f) Fair value level and transfer

The Combined Company did not have any financial assets and liabilities transferred in the fair value hierarchy for the three months ended in March 31, 2021 and 2020.

(g) Level 3 sheet of changes

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

	Three months ended March 31	
	2021	2020
Beginning balances	\$ 1,500	-
Purchase for the period	3,900	-
Changes in other comprehensive profit and loss recognized in the current period	-	-
Ending balances	<u>\$ 5,400</u>	<u>-</u>

(24) Financial risk management

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

(25) Capital management

The objectives, policies and procedures of the Company's capital management have been applied consistently with those described in the consolidated financial statements for the year ended

December 31, 2020. Refer to note 6(26) for the consolidated financial statements for the year ended December 31, 2020 for the relevant information.

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

(a) Refer to Note 6(9) for The Company acquired the right-of-use assets by lease for the three months ended March 31, 2021 and 2020.

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

	January 1, 2021	Cash flows	Changes in non-cash Amendment lease	Assessment adjustment	March 31, 2021
Short-term borrowings	\$ 150,000	(150,000)	-	-	-
Long-term borrowings	1,614,624	65,800	-	886	1,681,310
Guarantee deposit received	21,187	(508)	-	-	20,679
Lease liabilities (including related parties)	182,439	(15,170)	(318)	-	166,951
Total liabilities from financing activities	<u>\$ 1,968,250</u>	<u>(99,878)</u>	<u>(318)</u>	<u>886</u>	<u>1,868,940</u>

	January 1, 2020	Cash flows	Changes in non-cash Amendment lease	Assessment adjustment	March 31, 2020
Short-term borrowings	\$ 56,800	(33,000)	-	-	23,800
Long-term borrowings	1,993,000	71,000	-	-	2,064,000
Guarantee deposit received	22,556	(243)	-	-	22,313
Lease liabilities (including related parties)	272,888	(22,893)	-	-	249,995
Total liabilities from financing activities	<u>\$ 2,345,244</u>	<u>(14,864)</u>	<u>-</u>	<u>-</u>	<u>2,360,108</u>

7. Related-party Transactions

(I) Name and relationship of related parties

Name of related party	Relationship with the Company
Qisda Corporation ("Qisda")	Parent of the Company
Visco Vision Inc. ("Visco Vision")	Joint venture of the Company
Cenefom Corp. ("CENEFOM")	Joint venture of the Company
MLK Bioscience Co., Ltd	Joint venture of the Company
Visco Technology Sdn. Bhd.	Subsidiary of Visco Vision
Other related parties:	
BenQ foundation	Substantive related party of Qisda
AU Optronics Corp. ("AU")	Joint venture of Qisda
Dafon Electronics Corp. ("DFN")	Joint venture of Qisda
Dafon Electronics (Suzhou) Co., Ltd. ("DFS")	Subsidiary of DFN
AU Optronics (L) Co. ("AUL")	Subsidiary of AU
AFPD Pte., Ltd.	Subsidiary of AU
AU Optronics (Suzhou) Corp. ("AUS")	Subsidiary of AU
AU Optronics (Kunshan) Corp.	Subsidiary of AU
AU Optronics (Xiamen) Corp. ("AUX")	Subsidiary of AU
AU Optronics (Shanghai) Corp.	Subsidiary of AU
AU Optronics (Slovakia) Corp.	Subsidiary of AU
AUO Care Corp.	Subsidiary of AU
BriView (Hefei) Co., Ltd.	Subsidiary of AU
Darwin Precisions (Xiamen) Corp.	Subsidiary of AU
Darwin Precisions (Suzhou) Corp.	Subsidiary of AU
Darwin Precisions Corp.	Subsidiary of AU

Fortech Electronics (Suzhou) Co., Ltd.	Subsidiary of AU
Mega insight (Suzhou) Corp.	Subsidiary of AU
Edge Tech (Suzhou) Crop	Subsidiary of AU
U-Fresh Tech (Suzhou) Inc.	Subsidiary of AU
AUO Display Plus Corp.	Subsidiary of AU
DFI Inc.	Subsidiary of Qisda
Nanjing BenQ Hospital Co., Ltd. (NMH)	Subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd. (SMH)	Subsidiary of Qisda
LILY Medical (Suzhou) Co., Ltd.	Subsidiary of Qisda
LILY Medical Corporation	Subsidiary of Qisda
Darly Venture (L) Ltd.	Subsidiary of Qisda
Darly Consulting Corporation	Subsidiary of Qisda
BenQ Asia Pacific Corp.	Subsidiary of Qisda
BenQ Asia Pacific Malaysia Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific Singapore Co., Ltd.	Subsidiary of Qisda
BenQ Asia Pacific India Co., Ltd.	Subsidiary of Qisda
BenQ ESCO Corp.	Subsidiary of Qisda
BenQ GURU Corp.	Subsidiary of Qisda
BenQ Corp.	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd.	Subsidiary of Qisda
BenQ Dialysis Technology Corp.	Subsidiary of Qisda
Partner Tech Corp.	Subsidiary of Qisda
BenQ Medical Technology Corp.	Subsidiary of Qisda
BenQ AB DentCare Corporation	Subsidiary of Qisda
BenQ Hearing Solution Corporation	Subsidiary of Qisda
BenQ Intelligent Technology (Shanghai) Co., Ltd	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd.	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd.	Subsidiary of Qisda
Qisda (Suzhou) Co., Ltd.	Subsidiary of Qisda
Qisda Precision Industry (Suzhou) Co., Ltd.	Subsidiary of Qisda
The ICT Solution Provider	Subsidiary of Qisda
Expert Alliance (Subsidiary of Qisda)	Subsidiary of Qisda
ACE PILLAR Co., Ltd.	Subsidiary of Qisda
Data Image Corp.	Subsidiary of Qisda
AEWIN Technologies Co., Ltd.	Subsidiary of Qisda
ADVTEK International Corp.	Subsidiary of Qisda
GINNET Information Co., Ltd	Subsidiary of Qisda
CENS Technology Co., Ltd	Subsidiary of Qisda

(2) The Company's significant related party transactions

(a) Operating income

	Three months ended March 31	
	2021	2020
Other related parties:		
AU	\$ 939,060	996,280
AUS	293,463	318,568
AUX	208,621	131,611
Others	4,369	1,676
Joint ventures	30,702	17,417
Parent	21	57
	\$ 1,476,236	1,465,609

The sales prices of the transactions with related parties were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers. The payment terms of 90 to 120 days showed no significant difference between related parties and third-party customers.

(b) Purchases

	Three months ended March 31	
	2021	2020
Joint ventures	\$104,659	26,480

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

(c) Property transaction

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

Related-party categories	Account	Three months ended March 31	
		2021	2020
Parent	Intangible assets	\$ 982	1,535
Other related parties	Intangible assets	3,288	3,453
		\$ 4,270	4,988

(d) Lease

The Company rent and pay for the plants and offices from AU every month, which is referred to neighboring areas for the rental. Interest expense for the three months ended March 31, 2021, and 2020, amounted to \$782 thousand, and 1,176 thousand. As of March 31, 2021, December 31, 2020 and March 31, 2020, the lease liabilities amounted to \$159,718 thousand, \$174,068 thousand and \$240,018 thousand.

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

	Three months ended March 31	
	2021	2020
Other related parties	\$ 541	419

(e) Accounts receivable – related parties

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

Account	Related-party categories	March 31, 2021	December 31, 2020	March 31, 2020
Net accounts receivable – related parties	Other related Parties – AU	\$ 531,018	694,443	97,406
	Other related Parties - AUX	147,177	141,989	61,691
	Other related Parties - AUS	84,303	83,116	30,210
	Other related Parties - others	6,569	16,265	3,013
	Joint ventures	30,886	18,632	17,796
	Sub Total	799,953	954,445	210,116
Other receivables – related parties	Other related parties	75	55	68
		\$ 800,028	954,500	210,184

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

March 31, 2021						
Underwriting bank	Factored amount	Amount of advance available	Advance amount	Amount transferred to other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	\$ 591,134	-	532,020	59,114	1.05%	Promissory note 150,000
Chinatrust Commercial Bank	435,242	-	391,573	43,669	0.95%~1.00%	Promissory note 51,354
	\$ 1,026,376	-	923,593	102,783		201,354

December 31, 2020						
Underwriting bank	Factored amount	Amount of advance available	Advance amount	Amount transferred to other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	\$ 423,739	-	379,786	43,953	1.05%	Promissory note 150,000
Chinatrust Commercial Bank	293,008	-	263,408	29,600	1.00%	Promissory note 51,030
	<u>\$ 716,747</u>	<u>-</u>	<u>643,194</u>	<u>73,553</u>		<u>201,030</u>
March 31, 2020						
Underwriting bank	Factored amount	Amount of advance available	Advance amount	Amount transferred to other accounts receivable (Note 6(5))	Range of interest rates	Other important matters
Mega International Commercial Bank	\$ 956,261	-	860,604	95,657	1.98%~2.96%	Promissory note 150,000
Chinatrust Commercial Bank	467,057	-	419,707	47,350	2.00%~3.20%	Promissory note 54,457
	<u>\$ 1,423,318</u>	<u>-</u>	<u>1,280,311</u>	<u>143,007</u>		<u>204,457</u>

(f) Accounts payable – related parties

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

Account	Related-party categories	March 31, 2021	December 31, 2020	March 31, 2020
Accounts payable – related parties	Joint ventures	\$ 78,759	29,766	12,954
	Other related Parties	-	-	24
	Subtotal	78,759	29,766	12,978
Other payables – related parties	Other related Parties	17,985	16,180	15,955
	Parent	2,696	-	1,535
	Joint venture	74	38	116
	Subtotal	20,755	16,218	17,606
		<u>\$ 99,514</u>	<u>45,984</u>	<u>30,584</u>

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

	Three months ended March 31	
	2021	2020
Short-term employee benefits and compensation	\$ 14,631	10,423
Retirement benefits	81	81
	<u>\$ 14,712</u>	<u>10,504</u>

8. Pledged assets

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

Assets name	Purpose of pledge	March 31, 2021	December 31, 2020	March 31, 2020
Land, buildings and structures	Long-term borrowings	\$ 644,977	650,368	692,897
Other assets – current – deposit certification	Customs deposits	-	10,668	-
Other assets – current – deposit certification	Letter of credit guarantee	2,971	198	-
		\$ 647,948	661,234	692,897

9. Material contingent liabilities and unrecognized contractual commitments

Significant unrecognized contract commitments:

	March 31, 2021	December 31, 2020	March 31, 2020
Unused letters of credit issued	\$ 990,990	933,883	1,041,469
Signed and unpaid major engineering and equipment payments	293,293	205,457	161,528

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

(1) The function of employee benefits, depreciation, depletion and amortization expenses and summarized as follows:

Function Nature	Three months ended March 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses:						
Salaries and wages	350,644	171,147	521,791	277,810	146,122	423,932
Labor and national health insurances	27,310	12,646	39,956	22,159	10,580	32,739
Retirement benefits	11,912	7,076	18,988	9,596	5,966	15,562
Other employee benefits	18,599	5,780	24,379	16,686	5,665	22,351
Depreciation	117,513	19,755	137,268	132,349	16,810	149,159
Amortization	3,399	7,191	10,590	3,971	6,201	10,172

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

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Additional disclosures

(I) Information on significant transactions:

For the three months ended March 31, 2021, the Company should disclose relevant information on significant transactions in accordance with preparation of financial reports:

(a) Financing provided to other parties:

(Unit: NT\$ thousand)

No.	Creditor	Borrower	General ledger account	Related party	Maximum balance during the period	Ending balance	Amount Actually Drawn	Interest rate	Nature of loan (note2)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral item value		Financing limits for each borrowing company	Financing company's total financing amount limits
													Item	Value		
1	BMS (note 1)	BenQ Material (Wuhu) Co., Ltd.	Other receivables-related parties	Yes	1,149,014 (RMB265,000)	1,149,014 (RMB265,000)	864,145 (RMB199,300)	1.3%	2	-	Business operating	-			1,892,589	1,892,589
2	BMS (note 1)	BenQ Materials Medical Supplies (Suzhou) Co., Ltd.	Other receivables-related parties	Yes	130,077 (RMB30,000)	130,077 (RMB30,000)	30,351 (RMB7,000)	1.3%	2	-	Business operating	-			1,892,589	1,892,589
3	BMS (note 1)	Suzhou Sigma Medical Supply Co., Ltd.	Other receivables-related parties	Yes	86,718 (RMB20,000)	86,718 (RMB20,000)	26,015 (RMB6,000)	1.3%	2	-	Business operating	-			1,892,589	1,892,589

(Note 1): The total amount of the BMS fund loan and the 100%-owned subsidiary of the ultimate parent company and the fund loan and limit for individual objects are the net value of the latest financial statement of BMS with the certificate of accountant.

(Note 2): Those who have business dealings with the nature of capital loans are 1, and 2 for those who require short-term financing.

(Note 3): It has already been written off during compilation of the Consolidated Financial Statements.

(b) Endorsements and guarantees provided for others: None.

(c) Holding of marketable securities at the end of the period (excluding investment in subsidiaries, joint ventures and associates):

Name of company held	Marketable securities of type and name	Relationship with the securities issuer	Listed accounts	As of March 31, 2021				Note
				Shares	Carrying amount	Ownership (%)	Fair value	
BenQ	Stock: Biodenta Corporation	-	Financial assets at fair value through profit or loss	225	(Note)	2.50%	-	
BenQ	Stock: Changguang Corporation	-	Financial assets at fair value through other comprehensive profit or loss	1,680	66,780	5.25%	66,780	
BenQ	Stock: Kangde Corporation	-	Financial assets at fair value through other comprehensive profit or loss	150	1,500	11.03%	1,500	
BenQ	Stock: Yilelafa Corporation	-	Financial assets at fair value through other comprehensive profit or loss	300	3,000	6.52%	3,000	
BenQ	Stock: Juncheng Corporation	-	Financial assets at fair value through other comprehensive profit or loss	30	900	0.41%	900	

(Note): It was recognized in full as impairment losses.

- (d) Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
- (e) Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more:

Purchaser (seller)	Counter party	Relationship with the counter party	Transaction Detail				Differences in transaction terms compared to third-party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	% of total purchases (sales)	Credit term	Unit price	Credit term	Balance	% of total Notes/ accounts receivable (payable)	
BenQ	AU	Other related party	Sales	939,060	23%	OA90	(Note 1)	(Note 3)	531,018	21%	-
BenQ	AUS	Other related party	Sales	293,463	7%	OA90	"	"	147,177	6%	-
BenQ	AUX	Other related party	Sales	208,621	5%	OA90	"	"	84,303	3%	-
BenQ	BMM	Subsidiary	Sales	125,754	3%	OA120	"	"	206,985	8%	(Note 4)
BenQ	BMS	Subsidiary	Purchases	(187,556)	5%	OA90	(Note 2)	"	(108,313)	3%	(Note 4)
BenQ	Visco Vision	Joint ventures	Purchases	(104,595)	3%	OA30	"	"	(78,759)	2%	-

(Note 1): The sales prices for the transactions of related parties were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers.

(Note 2): The purchase prices for the transactions of related parties were not comparable to the purchase prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the purchase prices for related parties and those for third-party customers.

(Note 3): These transactions were no significant differences between related parties and those for third-party customers.

(Note 4): The transactions have been eliminated when preparing the consolidated financial statements.

(Note 5): Due to the amounts of transactions of purchases and sales between the Company and related parties is insignificant, combined disclosure is adopted.

(h) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

Company name	Counter party	Relationship with the counter party	Balance as of March 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
BenQ	AUO	Other related parties	531,018	3.35	-	-	-	-
BenQ	AUS	Other related parties	147,177	3.29	-	-	-	-
BMS (Note 2)	BenQ	Subsidiary	108,313	8.25	-	-	-	-
BenQ (Note 2)	BMM	Subsidiary	206,985	3.44	-	-	-	-
Sigma-Medical (Note 2)	BenQ	Subsidiary	146,515	0.31	-	-	-	-

(Note 1): The transactions have been eliminated when preparing the consolidated financial statements.

(Note 2): The transactions have been eliminated when preparing the consolidated financial statements.

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

(j) Significant inter-company transactions:

No. (Note 1)	Company name	Counter party	Relationsh ip (Note 2)	Transaction (Note 3)			
				Account	Amount	Transaction term	Percentage of consolidated total operating revenues or total assets (Note 4)
1	BenQ	BMM	1	Sales	125,754	OA120	3.09%
1	BenQ	BMM	1	Accounts receivable	206,985	OA120	1.86%
2	BMW	BenQ	2	Sales	40,979	OA90	1.01%
2	BMW	BenQ	2	Accounts receivable	14,879	OA90	0.13%
3	BMS	BenQ	2	Revenues of conversion	187,556	OA90	4.60%
3	BMS	BenQ	2	Accounts receivable	108,313	OA90	0.98%
4	Sigma-Medical	BenQ	2	Sales	11,192	OA90	0.27%
4	Sigma-Medical	BenQ	2	Accounts receivable	146,515	OA90	1.32%

(Note 1): The number is filled in as follows:

- 1) Number 0 represents the parent.
- 2) Subsidiaries are numbered in order from number 1.

(Note 2): The transaction relationships with the counterparties are as follows:

- 1) The parent to the subsidiary.
- 2) The subsidiary to the parent.
- 3) The subsidiary to another subsidiary.

(Note 3): The significant inter-company transactions, only the transactions of sales and accounts receivable have been disclosed, due to the amounts of transactions of purchases and accounts payable between the Company and related parties are insignificant, combined disclosure is adopted.

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

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

(2) Information on investees:

The information of investee companies for the three months ended March 31, 2021 (excluding investees in China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2021			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at March 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Carrying amount			
BenQ	BMLB	Malaysia	Investment holding	1,141,340	1,141,340	35,082	100.00%	1,519,242	10,832	10,832	(Note 1)
BenQ	SGM	Taiwan	Manufacture and sales of medical consumables and equipment	560,000	560,000	40,000	100.00%	417,000	(35,013)	(34,970)	(Note 1)
BenQ	Visco Vision	Taiwan	Manufacture and sales of contact lenses	177,811	177,811	9,834	17.97%	174,097	93,395	13,530	
BenQ	CENEFOM	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	29,127	29,127	1,095	12.12%	12,527	(5,043)	(611)	
BenQ	Taikei	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	-	10,001	-	-	-	(3,469)	(694)	
BenQ	Bution International Corp.	Taiwan	R&D, Manufacture and sales of medical consumables and equipment	6,000	6,000	217	20.00%	5,630	(1,273)	(255)	

(Note 1): The transactions have been eliminated when preparing the consolidated financial statements.

(3) Information on investments in China:

(a) Relevant information on investments in China:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2021	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of March 31, 2021	Net income of investee for the current period	Ownership held by BenQ (direct or indirect)	Investment income (loss) recognized for the current period	Carrying amount of investments as of March 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
BenQ Material Co., Ltd. ("BMS")	Manufacture of optoelectronics	827,370 (USD29,000)	(3)	827,370 (USD29,000)	-	-	827,370 (USD29,000)	(2,750)	100.00%	(2,750) (Note 2)	1,892,589 (Note 4)	-
Daxon Biomedical (Suzhou) Co., Ltd. (DTB)	Sales of medical consumables and equipment	47,695 (RMB11,000)	(2)	-	-	-	-	3,733	100.00%	3,733 (Note 2)	(4,543) (Note 4)	-
BenQ Materials (Wuhu) Co., Ltd	Manufacture and sales of optoelectronics and cosmetics	346,872 (RMB80,000)	(3)	173,436 (RMB40,000)	-	-	173,436 (RMB40,000) (Note 3)	19,806	100.00%	19,053 (Note 2)	(390,865) (Note 4)	-
BenQ Materials Medical (Suzhou) Co., Ltd. (BMM)	Manufacture and sales of medical consumables and equipment	65,039 (RMB15,000)	(2)	-	-	-	-	(9,204)	100.00%	(9,204) (Note 2)	47,606 (Note 4)	-
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	45,420 (USD1,592)	(1)	45,420 (USD1,592)	-	-	45,420 (USD1,592)	(482)	100.00%	(482) (Note 2)	29,763 (Note 4)	-

(Note 1): Investment methods are classified into the following three categories:

(1) Directly invest in a company in China.

(2) The reinvestments in China were from the earnings of BMLB.

(3) Indirect investment in China is through a holding company established in a third country.

(Note 2): Investment income or loss was recognized based on the reviewed financial statements issued by the auditors of the parent in Taiwan.

(Note 3): The amounts of BMLB reinvestments RMB10,950 thousand were excluded.

(Note 4): The transactions have been eliminated when preparing the consolidated financial statements.

(b) Limits on investments in Mainland China:

(Unit: NT\$ thousand)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment by Investment Commission, MOEA
BenQ	1,000,806 (USD29,000 and RMB40,000)	1,113,323 (USD29,000 and RMB65,950)	(Note)
SGM	45,420 (USD1,592)	45,420 (USD1,592)	185,344

The above amounts were translated into NTD at the exchange rate of USD/NTD28.530 and RMB/NTD4.3359.

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

(c) Significant transactions with investee companies in China:

The direct or indirect transactions in China have been eliminated when preparing the consolidated financial statements for the three months ended March 31, 2021, please refer to “Information on significant transactions” for the details.

(4) Major shareholders information

Name	Shares	Shareholding	Shareholding ratio
BenQ Corp.		80,847,763	25.21%
Qisda Corp.		43,659,294	13.61%

(Note): This table is calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day of every season. To compute the shareholding companies' 5% of total of the ordinary shares and special shares of non-physical securities (including treasury shares). As for the company's financial reporting, it has written down that the share and the company's completed non-physical securities' shareholding might be discrepancy due to its different ways of factorization.

14. Segment information

The Company's operating segment information and reconciliation are as follows:

Three months ended March 31, 2021				
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 3,694,405	381,877	-	4,076,282
Intra-segment revenue	-	-	-	-
Total revenue	<u>\$ 3,694,405</u>	<u>381,877</u>	<u>-</u>	<u>4,076,282</u>
Segment (loss) profit	<u>\$ 152,835</u>	<u>1,498</u>	<u>-</u>	154,333
Shares of interests of related companies recognized by the equity method				11,970
Net profit after tax				<u>\$ 166,303</u>

Three months ended March 31, 2020				
	optoelectronics	Others	Adjustments and Eliminations	Total
External revenue	\$ 3,125,937	317,669	-	3,443,606
Intra-segment revenue	-	-	-	-
Total revenue	<u>\$ 3,125,937</u>	<u>317,669</u>	<u>-</u>	<u>3,443,606</u>
Segment profit	<u>\$ 22,076</u>	<u>137</u>	<u>-</u>	22,213
Shares of interests of related companies recognized by the equity method				10,353
Net profit after tax				<u>\$ 32,566</u>

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