

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report

For the Six Months Ended June 30, 2022 and 2021

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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 June 30, 2022 and 2021, the related consolidated statements of comprehensive income, for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. 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 No.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 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 (8), the equity accounted investments of BenQ Materials Corp. and its subsidiaries in the investee companies amounted to \$240,662 thousand and \$181,486 thousand as of June 30, 2022 and 2021, respectively, as well as the equity in net earnings on the joint ventures using the equity method of \$30,221 thousand, \$5,951 thousand, \$56,923 thousand and \$17,921 thousand for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, 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 June 30, 2022 and 2021, and the consolidated financial performance for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, and the consolidated cash flows for the six months ended June 30, 2022 and 2021, 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

Philips Tang

CPA:

Steven Shih

Approved audit number: FSC (6) No. 0940100754

Approved audit number: FSC (6) No. 0950103298

August 4th, 2022

Review only, not audited in accordance with generally accepted auditing standards as of June 30, 2022 and 2021

BENQ MATERIALS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31 and June 30, 2021

(Unit: NT\$ thousand)

| | | June 30, 2022 | | December 31, 2021 | | June 30, 2021 | | | | June 30, 2022 | | December 31, 2021 | | June 30, 2021 | |
|---------------------------|--|----------------------|------------|-------------------|------------|-------------------|------------|--------------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|
| Assets | | Amount | % | Amount | % | Amount | % | Liabilities and Equity | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (Note 6 [1]) | \$ 229,384 | 2 | 278,127 | 2 | 148,676 | 1 | 2100 | Short-term borrowings (Note 6 [14]) | \$ 478,320 | 4 | 586,849 | 5 | - | - |
| 1110 | Financial assets at fair value through profit or loss – Current (Note 6 [2]) | 1,230 | - | 5,908 | - | 1,222 | - | 2120 | Financial liabilities at fair value through profit or loss – Current | 37,990 | - | 9,361 | - | 12,539 | - |
| 1120 | Financial assets at fair value through other comprehensive income – Current (Note 6 [3]) | 63,941 | 1 | 55,490 | - | 62,009 | 1 | 2170 | Accounts payable | 2,803,153 | 22 | 3,141,185 | 25 | 3,122,285 | 28 |
| 1170 | Notes and accounts receivable, net (Note 6 [4] [22]) | 2,377,119 | 19 | 2,252,030 | 18 | 1,949,076 | 17 | 2180 | Accounts payable – Related parties (Note 7) | 73,604 | 1 | 48,436 | - | 20,549 | - |
| 1180 | Accounts receivable – Related parties, net amount (Note 6 [4] [22] and 1200) | 850,754 | 7 | 610,135 | 5 | 728,903 | 7 | 2219 | Other payables (Note 6 [23]) | 1,636,292 | 13 | 1,668,190 | 13 | 1,363,880 | 12 |
| 1210 | Other receivables (Note 6 [4] [5]) | 134,683 | 1 | 184,842 | 2 | 176,287 | 2 | 2216 | Dividends payable (Note 6 [20]) | 481,012 | 4 | - | - | 224,472 | 2 |
| 1210 | Other receivables – Related parties (Note 6 [5] and 7) | 39,345 | - | 20 | - | 10,886 | - | 2220 | Other payables – Related parties (Note 7) | 23,916 | - | 24,108 | - | 32,158 | - |
| 1310 | Inventories net (Note 6 [6]) | 2,681,270 | 21 | 2,807,868 | 23 | 2,283,773 | 20 | 2320 | Long-term borrowings due within one year (Note 6 [15] and 8) | 62,127 | - | 1,666 | - | - | - |
| 1479 | Other current assets | 233,410 | 2 | 268,911 | 2 | 307,160 | 3 | 2281 | Lease liabilities – Current (Note 6 [16]) | 7,829 | - | 7,871 | - | 3,205 | - |
| 1476 | Other financial assets – Current (Note 8) | 42,060 | - | 87,084 | 1 | 8,337 | - | 2282 | Lease liabilities – Related parties – Current (Note 6 [16] and 7) | 46,395 | - | 91,779 | 1 | 91,162 | 1 |
| 1461 | Non-current assets held for sale | 301,762 | 2 | 163,909 | 1 | 163,909 | 1 | 2399 | Other current liabilities (Note 6 [7]) | 393,691 | 3 | 215,073 | 2 | 69,095 | 1 |
| | Total current assets | 6,954,958 | 55 | 6,714,324 | 54 | 5,840,238 | 52 | | Total current liabilities | 6,044,329 | 47 | 5,794,518 | 46 | 4,939,345 | 44 |
| Noncurrent assets: | | | | | | | | Non-current liabilities | | | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income – Non-current (Note 6 [3]) | 11,473 | - | 9,187 | - | 9,728 | - | 2540 | Long-term borrowings (Note 6 [15] and 8) | 1,204,273 | 10 | 1,305,028 | 11 | 1,672,297 | 15 |
| 1550 | Investment accounted for using equity method (Note 6 [8]) | 240,662 | 2 | 221,918 | 2 | 181,486 | 2 | 2570 | Deferred tax liabilities | 140,736 | 1 | 144,735 | 1 | 6,202 | - |
| 1600 | Real estate, plant, and equipment (Note 6 [10] 7 and 8) | 4,824,610 | 38 | 4,493,229 | 36 | 4,296,033 | 38 | 2581 | Lease liabilities – Non-current (Note 6 [16]) | 48,510 | - | 52,383 | - | 12,786 | - |
| 1755 | Right-of-use asset (Note 6 [11]) | 141,815 | 1 | 190,290 | 2 | 187,318 | 2 | 2582 | Lease liabilities – Related parties – Non-current (Note 6 [16] and 7) | 755 | - | - | - | 46,011 | - |
| 1760 | Net Investment property (Note 6 [12]) | 168,475 | 1 | 431,072 | 3 | 441,436 | 4 | 2600 | Other non-current liabilities (Note 6 [15]) | 49,683 | 1 | 56,661 | 1 | 48,453 | 1 |
| 1780 | Intangible assets (Note 6 [9] [13]) | 155,990 | 1 | 165,773 | 1 | 38,691 | - | | Total non-current liabilities | 1,443,957 | 12 | 1,558,807 | 13 | 1,785,749 | 16 |
| 1840 | Deferred tax assets | 183,388 | 2 | 183,535 | 1 | 174,288 | 2 | | Total liabilities | 7,488,286 | 59 | 7,353,325 | 59 | 6,725,094 | 60 |
| 1920 | Guarantee deposits paid | 26,720 | - | 28,974 | - | 28,023 | - | Equity (Note 6 [20]): | | | | | | | |
| 1995 | Other non-current assets | 53,274 | - | 71,626 | 1 | 51,339 | - | 3110 | Common stock | 3,206,745 | 25 | 3,206,745 | 26 | 3,206,745 | 28 |
| | Total non-current assets | 5,806,407 | 45 | 5,795,604 | 46 | 5,408,342 | 48 | 3200 | Capital reserve | 5,808 | - | 5,808 | - | 11,428 | - |
| | | | | | | | | | Retained earnings: | | | | | | |
| | | | | | | | | 3310 | Legal reserve | 414,305 | 3 | 317,262 | 2 | 317,262 | 3 |
| | | | | | | | | 3320 | Special reserve | 103,309 | 1 | 83,534 | 1 | 83,534 | 1 |
| | | | | | | | | 3350 | Balance of retained earnings | 1,489,972 | 12 | 1,533,290 | 12 | 1,004,082 | 9 |
| | | | | | | | | 3400 | Other equity | (55,720) | (1) | (103,309) | (1) | (99,565) | (1) |
| | | | | | | | | | Total equity attributable to the owners of parent company | 5,164,419 | 40 | 5,043,330 | 40 | 4,523,486 | 40 |
| | | | | | | | | 36XX | Non-controlling (Note 6 [9] [20]) | 108,660 | 1 | 113,273 | 1 | - | - |
| Total Assets | | \$ 12,761,365 | 100 | 12,509,928 | 100 | 11,248,580 | 100 | | Total equity | 5,273,079 | 41 | 5,156,603 | 41 | 4,523,486 | 40 |
| | | | | | | | | | Total liabilities and equity | \$ 12,761,365 | 100 | 12,509,928 | 100 | 11,248,580 | 100 |

(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 and Six Months Ended June 30, 2022 and 2021**

(Unit: NT\$ thousand)

| | | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|------|--|------------------------------------|----------|----------------|----------|----------------------------------|----------|----------------|----------|
| | | 2022 | | 2021 | | 2022 | | 2021 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Net sales revenue (Note 6 [22] , 7 and 14) | \$ 4,111,680 | 100 | 4,283,121 | 100 | 8,275,740 | 100 | 8,359,403 | 100 |
| 5000 | Operating expenses | | | | | | | | |
| | (Note 6 [6] , [10] , [11] , [12] , [13] , [18] , [23] 7 and 12) | (3,266,478) | (79) | (3,450,492) | (81) | (6,675,386) | (81) | (6,915,182) | (83) |
| | Gross operating profit | 845,202 | 21 | 832,629 | 19 | 1,600,354 | 19 | 1,444,221 | 17 |
| | Operating expenses: (Note 6 [4] , [10] , [11] , [13] , [16] , [18] , [23] , 7 and 12): | | | | | | | | |
| 6100 | Selling expenses | (310,858) | (8) | (265,137) | (6) | (588,224) | (7) | (487,281) | (6) |
| 6200 | General and administrative expenses | (80,082) | (2) | (72,687) | (2) | (157,654) | (2) | (134,916) | (1) |
| 6300 | Costs of research and development | (209,041) | (5) | (179,722) | (4) | (403,001) | (5) | (358,439) | (4) |
| | | (599,981) | (15) | (517,546) | (12) | (1,148,879) | (14) | (980,636) | (11) |
| | Net operating income | 245,221 | 6 | 315,083 | 7 | 451,475 | 5 | 463,585 | 6 |
| | Non-operating income and expenses (Note 6 [7] , [8] , [15] , [16] [24] and 7): | | | | | | | | |
| 7100 | Interest revenue | 575 | - | 251 | - | 1,147 | - | 371 | - |
| 7010 | Other income | 6,539 | - | 2,113 | - | 7,796 | - | 7,025 | - |
| 7020 | Other profits and loss | 50,752 | 1 | 38,256 | 1 | 156,582 | 2 | 95,897 | 1 |
| 7050 | Financial cost | (14,741) | - | (10,654) | - | (25,581) | - | (21,381) | - |
| 7370 | Share of profits of associates accounted for using the equity method | 30,221 | 1 | 5,951 | - | 56,923 | 1 | 17,921 | - |
| | | 73,346 | 2 | 35,917 | 1 | 196,867 | 3 | 99,833 | 1 |
| | Income before income tax | 318,567 | 8 | 351,000 | 8 | 648,342 | 8 | 563,418 | 7 |
| 7950 | Less: Income tax expense (Note 6 [19]) | (59,051) | (2) | (76,090) | (2) | (98,443) | (1) | (122,205) | (2) |
| | Net profit | 259,516 | 6 | 274,910 | 6 | 549,899 | 7 | 441,213 | 5 |
| | Other comprehensive income: | | | | | | | | |
| 8310 | Items that will not be reclassified to profit or loss (Note 6 [20]) | | | | | | | | |
| 8316 | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | 6,434 | - | (5,730) | - | 8,450 | - | 3,241 | - |
| 8349 | Income tax related to items that will not be reclassified | - | - | - | - | - | - | - | - |
| | | 6,434 | - | (5,730) | - | 8,450 | - | 3,241 | - |
| 8360 | Items that may be reclassified subsequently to profit or loss (Note 6 [8] , [20]) | | | | | | | | |
| 8361 | Exchanges differences arising on translation of financial statements of foreign operations | (24,499) | - | (10,868) | - | 37,983 | - | (5,706) | - |
| 8370 | Share of other comprehensive income of associates accounted for using the equity method | (5,725) | - | (5,901) | - | 1,156 | - | (13,566) | - |
| 8399 | Income tax related to items that may be reclassified | - | - | - | - | - | - | - | - |
| | | (30,224) | - | (16,769) | - | 39,139 | - | (19,272) | - |
| | Other Comprehensive Income (loss) | (23,790) | - | (22,499) | - | 47,589 | - | (16,031) | - |
| 8500 | Total comprehensive income for the period | \$ 235,726 | 6 | 252,411 | 6 | 597,488 | 7 | 425,182 | 5 |
| | Net profit after tax for the period attributable to: | | | | | | | | |
| 8610 | Owners of the parent company | \$ 261,729 | 6 | 274,910 | 6 | 554,512 | 7 | 441,213 | 5 |
| 8720 | Non-controlling interests | (2,213) | - | - | - | (4,613) | - | - | - |
| | | \$ 259,516 | 6 | 274,910 | 6 | 549,899 | 7 | 441,213 | 5 |
| | Total comprehensive income attributable to: | | | | | | | | |
| 8710 | Owners of the parent company | \$ 237,939 | 6 | 252,411 | 6 | 602,101 | 7 | 425,182 | 5 |
| 8720 | Non-controlling interests | (2,213) | - | - | - | (4,613) | - | - | - |
| | | \$ 235,726 | 6 | 252,411 | 6 | 597,488 | 7 | 425,182 | 5 |
| | Earnings per share (Unit: NT\$, Note 6 [21]) | | | | | | | | |
| 9750 | Basic earnings per share | \$ 0.82 | | 0.86 | | 1.73 | | 1.38 | |
| 9850 | Diluted earnings per share | \$ 0.81 | | 0.85 | | 1.71 | | 1.36 | |

(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 Changes in Equity
For the Six Months Ended June 30, 2022 and 2021**

(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 attributable to the owners of parent company | Non-controlling | Total equity |
| Balance as of January 1, 2021 | \$ 3,206,745 | 11,427 | 277,665 | 33,896 | 876,576 | 1,188,137 | (40,946) | (20,591) | (21,997) | (83,534) | 4,322,775 | - | 4,322,775 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | |
| Account for legal reserve | - | - | 39,597 | - | (39,597) | - | - | - | - | - | - | - | - |
| Account for special reserve | - | - | - | 49,638 | (49,638) | - | - | - | - | - | - | - | - |
| Cash dividend of common stock | - | - | - | - | (224,472) | (224,472) | - | - | - | - | (224,472) | - | (224,472) |
| Other changes in capital surplus: | | | | | | | | | | | | | |
| Changes in capital surplus from investments in associate under the equity method | - | 1 | - | - | - | - | - | - | - | - | 1 | - | 1 |
| Net profit | - | - | - | - | 441,213 | 441,213 | - | - | - | - | 441,213 | - | 441,213 |
| Other Comprehensive Income (Loss) | - | - | - | - | - | - | (19,272) | 3,241 | - | (16,031) | (16,031) | - | (16,031) |
| Total comprehensive income for the period | - | - | - | - | 441,213 | 441,213 | (19,272) | 3,241 | - | (16,031) | 425,182 | - | 425,182 |
| Balance as of June 30, 2021 | \$ 3,206,745 | 11,428 | 317,262 | 83,534 | 1,004,082 | 1,404,878 | (60,218) | (17,350) | (21,997) | (99,565) | 4,523,486 | - | 4,523,486 |
| Balance as of January 1, 2022 | \$ 3,206,745 | 5,808 | 317,262 | 83,534 | 1,533,290 | 1,934,086 | (51,470) | (22,910) | (28,929) | (103,309) | 5,043,330 | 113,273 | 5,156,603 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | |
| Account for legal reserve | - | - | 97,043 | - | (97,043) | - | - | - | - | - | - | - | - |
| Account for special reserve | - | - | - | 19,775 | (19,775) | - | - | - | - | - | - | - | - |
| Cash dividend of common stock | - | - | - | - | (481,012) | (481,012) | - | - | - | - | (481,012) | - | (481,012) |
| Net profit | - | - | - | - | 554,512 | 554,512 | - | - | - | - | 554,512 | (4,613) | 549,899 |
| Other Comprehensive Income (Loss) | - | - | - | - | - | - | 39,139 | 8,450 | - | 47,589 | 47,589 | - | 47,589 |
| Total comprehensive income for the period | - | - | - | - | 554,512 | 554,512 | 39,139 | 8,450 | - | 47,589 | 602,101 | (4,613) | 597,488 |
| Balance as of June 30, 2022 | \$ 3,206,745 | 5,808 | 414,305 | 103,309 | 1,489,972 | 2,007,586 | (12,331) | (14,460) | (28,929) | (55,720) | 5,164,419 | 108,660 | 5,273,079 |

(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 Six Months Ended June 30, 2022 and 2021**

(Unit: NT\$ thousand)

| | For the Six Months Ended June 30 | |
|---|----------------------------------|-----------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Income before income tax for the period | \$ 648,342 | 563,418 |
| Adjusted item: | | |
| Depreciation | 298,352 | 277,044 |
| Amortization expenses | 29,973 | 21,615 |
| Expected credit losses from reverse benefits | (10) | (160) |
| Valuation loss on financial liabilities measured at fair value through net profit or loss | 33,307 | 23,737 |
| Interest expenses | 25,581 | 21,381 |
| Interest revenue | (1,147) | (371) |
| Share of profit of affiliated companies accounted under the equity method | (56,923) | (17,921) |
| Loss (profits) from disposal of real estate, plant and equipment | 12,903 | (108) |
| Profits from disposal of non-current assets held for sale | (109,790) | - |
| Loss from disposal of investment | - | 8,928 |
| Amortization of deferred expenses transferred tp expenses | 76,822 | 75,018 |
| Amortization of syndication fee costs | 2,917 | 950 |
| Gains on lease modifications | - | (2) |
| Total adjustments to reconcile profit (loss) | 311,985 | 410,111 |
| Changes in operating assets / liabilities: | | |
| Net changes in operating assets: | | |
| Increase in notes and accounts receivable | (129,108) | (468,938) |
| Accounts receivable – (increase) decrease in related parties | (186,694) | 187,707 |
| (Increase) decrease in other receivables | 263 | (854) |
| Other accounts receivable – related parties (increase) decrease | 10 | (14) |
| Decrease in inventory | 126,598 | 121,116 |
| Increase in other current assets | (13,885) | (30,427) |
| Increase in other non-current assets | - | (8) |
| Total net changes in operating assets | (202,816) | (191,418) |
| Net changes in operating liabilities: | | |
| Decrease in accounts payable | (338,032) | (299,176) |
| Accounts payable – increase (decrease) in related parties | 25,168 | (9,217) |
| Increase (decrease) in other payables | (9,588) | 18,432 |
| Increase (decrease) in other payables to related parties | (192) | 15,940 |
| Increase (decrease) in other current liabilities | 28,202 | (10,475) |
| Decrease in net defined benefit liability | (972) | (913) |
| Total net changes in operating liabilities | (295,414) | (285,409) |
| Total net changes in operating assets and liabilities | (498,230) | (476,827) |
| Total adjustments | (186,245) | (66,716) |
| Cash inflow generated from operations | 462,097 | 496,702 |
| Interest received | 1,147 | 371 |
| Interest payment | (25,534) | (21,335) |
| Income tax paid | (125,963) | (11,282) |
| Net cash inflow from operating activities | 311,747 | 464,456 |

(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 Six Months Ended June 30, 2022 and 2021

(Unit: NT\$ thousand)

| | For the Six Months Ended June 30 | |
|---|----------------------------------|------------------|
| | 2022 | 2021 |
| Cash flows from investing activities: | | |
| Acquisitions of financial assets at fair value through other comprehensive income | (2,286) | (9,187) |
| Sale from disposal of non-current assets held for sale | 273,699 | - |
| Acquisition of real estate, plant and equipment | (579,735) | (264,232) |
| Disposal of real estate, plant and equipment | 221 | 760 |
| Decrease (increase) in refundable deposits | 2,254 | (14,093) |
| Acquisition of intangible assets | (17,242) | (24,295) |
| Decrease in other financial assets | 45,024 | 7,499 |
| Advance receipts increase on disposal of non-current assets held for sale | 150,416 | - |
| Increase in other non-current assets | (37,318) | (7,751) |
| Net cash outflow from investing activities | (164,967) | (311,299) |
| Cash flows from financing activities: | | |
| Decrease in short-term loans | (108,529) | (150,000) |
| Proceeds from long-term borrowings | 262,850 | 1,965,800 |
| Repayments of long-term borrowings | (303,365) | (1,910,000) |
| Increase (decrease) in deposits received | (5,785) | 4,588 |
| Repayments of lease principal | (49,714) | (38,509) |
| Net cash outflow from financing activities | (204,543) | (128,121) |
| Impact on exchange rates changes | 9,020 | (24,603) |
| Increase (decrease) in cash and cash equivalents for the period | (48,743) | 433 |
| Cash and cash equivalents at the beginning of year | 278,127 | 148,243 |
| Cash and cash equivalents at the end of year | \$ 229,384 | 148,676 |

(See the attached notes to the Consolidated Financial Statements)

Chairman:

Zhien-Chi (Z.C.) Chen

General Manager:

Ray, Liu

Accounting Manager:

James, Wang

BENQ MATERIALS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2022 and 2021

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

2. Date and Procedures of Authorization of Financial Statements

The Consolidated Financial Statements were published upon approval by the Board of Directors on August 4, 2022.

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

(1) The Impact of adopting newly released and revised standards and interpretations endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC").

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

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

(2) Impacts from IFRS are endorsed by FSC that are not adopted yet

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

- Amendments to IAS 1 "Disclosure of the Accounting Policy"
- Amendments to IAS 8 "Definition of the Accounting Evaluation"
- Amendments to IAS 12 "Related to Referred Tax Assets and Liabilities from Unity Transaction"

(3) Newly issued and revised standards and interpretations are not yet endorsed by FSC

The standards and interpretations have been issued and amended by IASB that are not yet recognized by FSC, they maybe relate to Combined Company as follows:

| New or amended standards | Major amendments | The effective date of issue by IASB |
|---|--|-------------------------------------|
| 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 aforementioned standards and interpreting the financial status and impact of the operating results for the Combined Company. Besides, 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"

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, 2021. Refer to Note 4 for the consolidated financial statements for the year ended December 31, 2020 for the details.

(2) Basis of consolidation

1) List of subsidiaries in the Consolidated Financial Statements:

| Investment company name | Subsidiary name | Business type | Proportion of ownership(%) | | | |
|-------------------------|---|---|----------------------------|-------------------|---------------|-------------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 2021 | Description |
| BenQ | BenQ Materials (L) Co. (BMLB) | Holding company | 100.00 | 100.00 | 100.00 | - |
| BenQ | Sigma Medical Supplies Corp. ("SMS") | Manufacturing and sale of medical consumables and equipment | 100.00 | 100.00 | 100.00 | - |
| BenQ | Genejet Biotech Co., Ltd (Genejet) | Development, manufacturing and sale of medical consumables and equipment | 70.00 | 70.00 | - | (note 1) |
| BenQ | Cenefom Corp. (Cenefom) | Development, manufacturing and sale of medical consumables and equipment | 34.83 | 34.83 | 12.12 | (note 2) |
| BMLB | BenQ Material Co., Ltd. ("BMS") | Processing of functional film products | 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 (BMW) | Manufacture and sale of film sheet and cosmetic-related | 100.00 | 100.00 | 100.00 | - |
| BMLB | BenQ Materials Medical (Suzhou) Corporation (BMM) | Manufacture and sale 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 | - |

Note 1. On October 28, 2021 the Combined Company acquired control of the company and it became a subsidiary; therefore, it was consolidated into the Consolidated Financial Statements from that date.

Note 2. Formerly as an affiliated enterprise of the Combined Company. On October 25, 2021, the Combined Company acquired control of the company and it became a subsidiary; therefore, it was consolidated into the Consolidated Financial Statements from that date.

2) 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. The 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, 2021.

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, 2021.

(1) Cash and Cash Equivalents

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|-------------------|-------------------|----------------|
| Working capital | \$ 197 | 224 | 180 |
| Demand deposit and cheque deposit | 210,237 | 252,265 | 148,496 |
| Time deposits with original maturity within three months | 18,950 | 25,638 | - |
| | \$ 229,384 | 278,127 | 148,676 |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|-----------------|-------------------|---------------|
| Mandatory financial assets measured at fair value through profit or loss – current: | | | |
| Foreign exchange forward contracts | \$ 1,230 | 1,093 | 819 |
| Foreign exchange swaps | - | 4,815 | 403 |
| | \$ 1,230 | 5,908 | 1,222 |

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|-------------------|-------------------|-----------------|
| Financial liabilities held for trading – current: | | | |
| Foreign exchange forward contracts | (\$34,415) | (9,361) | (12,539) |
| Foreign exchange swaps | (3,575) | - | - |
| | (\$37,990) | (9,361) | (12,539) |

Fair value remeasurement was recognized in profit or loss. Refer to Note 6 [24] 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 exchange forward contracts

| June 30, 2022 | | |
|-------------------------------------|--------------------|------------------------------------|
| Contract amount (NT\$ thousands) | Type of currency | Due date |
| USD <u>16,000</u> | Sell USD / Buy RMB | July 29, 2022 |
| USD <u>32,400</u> | Sell USD / Buy JPY | July 22, 2022~August 24, 2022 |
| USD <u>10,000</u> | Sell USD / Buy NTD | July 22, 2022 |
| December 31, 2021 | | |
| Contract amount (NT\$ thousands) | Type of currency | Due date |
| USD <u>6,000</u> | Sell USD / Buy RMB | January 28, 2022 |
| USD <u>33,000</u> | Sell USD / Buy JPY | January 24, 2022~February 24, 2022 |
| USD <u>21,500</u> | Sell USD / Buy NTD | January 4, 2022~January 27, 2022 |
| June 30, 2021 | | |
| Contract amount (NT\$ thousands) | Type of currency | Due date |
| RMB <u>6,475</u> | Sell RMB / Buy USD | July 30, 2021 |
| USD <u>45,000</u> | Sell USD / Buy JPY | July 21, 2021~September 24, 2021 |
| USD <u>10,500</u> | Sell USD / Buy NTD | July 2, 2021~July 23, 2021 |

b. Foreign exchange swaps

| June 30, 2022 | | |
|-------------------------------------|--------------------|------------------|
| Contract amount (NT\$ thousands) | Type of currency | Due date |
| USD <u>48,000</u> | Sell USD / Buy NTD | July 29, 2022 |
| December 31, 2021 | | |
| Contract amount (NT\$ thousands) | Type of currency | Due date |
| USD <u>48,000</u> | Sell USD / Buy NTD | January 28, 2022 |
| June 30, 2021 | | |
| Contract amount (NT\$ thousands) | Type of currency | Due date |
| USD <u>48,000</u> | Sell USD / Buy NTD | July 30, 2021 |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|------------------|-------------------|---------------|
| Equity instruments measured at fair value through other comprehensive income: | | | |
| Taiwan | \$ 63,941 | 55,490 | 62,009 |
| Unlisted stocks | 11,473 | 9,187 | 9,728 |
| | <u>\$ 75,414</u> | <u>64,677</u> | <u>71,737</u> |
| Current | \$ 63,941 | 55,490 | 62,009 |
| Non-current | 11,473 | 9,187 | 9,728 |
| | <u>\$ 75,414</u> | <u>64,677</u> | <u>71,737</u> |

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

In August, 2021, the Combined Company acquired an additional 8.97% equity in Coatmed Incorporation (hereinafter referred to as "Coatmed") by investing NT\$4,480 thousand in cash, which increased the Combined Company's equity in Coatmed from 11.03% to 20%, and became a director of the company with the ability to

participate in decision making. Therefore, the financial assets measured at FVTOCI were reclassified as investments accounted for using the equity method as described in Note 6 [8].

For the six months ended June 30, 2022 and 2021, no disposal of the aforementioned strategical investments for the Combined Company, and the accumulated profits and loss for the period weren't transferred within the equity.

(4) Notes and accounts receivable

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------------|---------------------|-------------------|------------------|
| Notes receivable | \$ 27,763 | 31,683 | 28,002 |
| Accounts receivable | 2,369,075 | 2,239,663 | 1,940,800 |
| Deduction: allowance for loss | (19,719) | (19,316) | (19,726) |
| | 2,377,119 | 2,252,030 | 1,949,076 |
| Accounts receivable - related parties | 850,754 | 610,135 | 728,903 |
| | <u>\$ 3,227,873</u> | <u>2,862,165</u> | <u>2,677,979</u> |

l) The Combined Company adopted a simplified approach to estimate expected credit losses for all note and account receivables (including related parties), that is, the expected credit losses during the lifetime are measured, and forward-looking information has been incorporated. The expected credit loss analysis of notes receivable and accounts receivable (including related-parties) of the Combined Company as of June 30, 2022, December 31 and June 30, 2021 was as follows:

| June 30, 2022 | | | |
|--------------------------|--|-------------------------------|--|
| | Carrying amount of accounts receivable and bills | Weighted-average loss rate | Loss allowance for lifetime expected credit losses |
| Not past due | \$ 3,221,769 | 0% | - |
| Past due over 1~30 days | 4,062 | 0.0492% | 2 |
| Past due over 31~60 days | 1,833 | 0.3273% | 6 |
| Past due over 61~90 days | 219 | 0.9132% | 2 |
| Past due over 91 days | 19,709 | 100% | 19,709 |
| | <u>\$ 3,247,592</u> | | <u>19,719</u> |

| December 31, 2021 | | | |
|-------------------------|--|-------------------------------|--|
| | Carrying amount of accounts receivable and bills | Weighted-average loss rate | Loss allowance for lifetime expected credit losses |
| Not past due | \$ 2,861,641 | 0.0045% | 128 |
| Past due over 1~30 days | 654 | 0.3058% | 2 |
| Past due over 91 days | 19,186 | 100% | 19,186 |
| | <u>\$ 2,881,481</u> | | <u>19,316</u> |

June 30, 2021

| | Carrying amount of accounts receivable and bills | Weighted-average loss rate | Loss allowance for lifetime expected credit losses |
|--------------------------|--|-------------------------------|--|
| Not past due | \$ 2,674,420 | 0.0093% | 249 |
| Past due over 1~30 days | 2,429 | 0.0412% | 1 |
| Past due over 31~60 days | 1,097 | 1.5497% | 17 |
| Past due over 61~90 days | 305 | 1.6393% | 5 |
| Past due over 91 days | 19,454 | 100% | 19,454 |
| | \$ 2,697,705 | | 19,726 |

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

| | Six Months Ended June 30 | |
|---|--------------------------|---------------|
| | 2022 | 2021 |
| Balance at the beginning of the year | \$ 19,316 | 23,480 |
| Impairment Loss (reverse benefits) | (10) | (160) |
| Unrecoverable money offset for the period | - | (3,538) |
| Gain and Loss of foreign exchange | 413 | (56) |
| Balance at the end of the year | \$ 19,719 | 19,726 |

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

June 30, 2022

| 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 | \$ 217,978 | - | 196,180 | 21,798 | 2.52% | None - |
| E.Sun Commercial Bank | 198,133 | - | 178,320 | 19,813 | 2.31% | None - |
| KGI Bank | | | | | | |
| | 146,772 | - | 132,095 | 14,677 | 2.55% | Guaranteed promissory note 891,600 |
| | \$ 562,883 | - | 506,595 | 56,288 | | 891,600 |

| December 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 | \$ 210,752 | - | 186,970 | 23,782 | 0.70%~0.82% | None | - |
| E.Sun Commercial Bank | 168,587 | - | 151,728 | 16,859 | 0.75%~0.80% | None | - |
| | | | | | | Guaranteed promissory | |
| KGI Bank | 116,177 | - | 104,559 | 11,618 | 1.00% | note | 830,400 |
| | \$ 495,516 | - | 443,257 | 52,259 | | | 830,400 |

| June 30, 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 | \$ 450,365 | - | 404,244 | 46,121 | 0.71%~0.85% | None | |
| E.Sun Commercial Bank | 142,043 | - | 126,260 | 15,783 | 0.8%~0.85% | None | |
| | \$ 592,408 | - | 530,504 | 61,904 | | | |

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

(5) Other receivables

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|-------------------|-------------------|----------------|
| Other receivables – accounts receivable sale minus advance price balance (Note 6 [4] and 7) | \$ 133,890 | 183,786 | 173,292 |
| Other receivables - other | 793 | 1,056 | 2,995 |
| Other receivables - related parties | 39,345 | 20 | 10,886 |
| | 174,028 | 184,862 | 187,173 |
| Deduction: Allowance for loss | - | - | - |
| | \$ 174,028 | 184,862 | 187,173 |

The Combined Company's other receivables as of June 30, 2022, December 31 and June 30, 2021, have no expected credit losses after assessment.

(6) Inventories

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------|---------------------|-------------------|------------------|
| Raw materials | \$ 1,166,226 | 1,251,773 | 1,081,405 |
| Work in process | 738,680 | 856,421 | 612,319 |
| Finished goods | 776,364 | 699,674 | 590,049 |
| | \$ 2,681,270 | 2,807,868 | 2,283,773 |

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|------------------|--------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Inventories cost has been sold | \$ 3,300,969 | 3,447,158 | 6,586,947 | 6,796,001 |
| Reversal of allowance for inventory market price decline | (40,412) | (2,189) | 73,521 | 104,930 |
| | <u>\$ 3,260,557</u> | <u>3,444,969</u> | <u>\$ 6,660,468</u> | <u>6,900,931</u> |

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

(7) Non-current assets held for sale

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------------------|-------------------|-------------------|----------------|
| Land and structure held for sale | <u>\$ 301,762</u> | <u>163,909</u> | <u>163,909</u> |

- (a) In May, 2021, the board of directors of SMS decided to sell the lands, structures, and equipment of machinery in Ruifang District, New Taipei City, and these assets on the carrying value was NT\$163,909 thousand. The sale transaction had been finished in the season first, 2022, and besides, the net price on the disposal of the assets was NT\$273,700 thousand, the derivative gains on the disposal was NT\$109,790 thousand, was listed under “the other profits and loss”. Some of the machinery equipment was sold to the others-related of the Combined Company, refer to Note 7 for the details.
- (b) In July, 2021, the board of directors of BMS decided to sell parts of the real estate and assets-related (the land use rights, buildings, and machinery equipment on the book of first record and deferred expenses) located in the Industrial Park of Suzhou, Suzhou City, China. BMS had signed the bargains with the buyer in March, 2022, and sold the assets by RMB264,036 thousand (included fax), as of June 30, 2022, the advance amount was RMB52,807 thousand which was recorded under “other current liabilities”, and obtained the advanced gains of the disposal of RMB142,829 thousand; however, the transaction still needs to be audited to agree the decision by the regulatory commission of the Industrial Park in Suzhou and will have been finished within one year. Therefore, the aforementioned assets on the carrying amount of NT\$301,762 thousand will be reclassified as the non-current held for sale.

(8) Investments accounted by equity method

| | June 30, 2022 (Not audited) | December 31, 2021 | June 30, 2021 (Not audited) |
|----------------|-----------------------------|-------------------|-----------------------------|
| Joint ventures | <u>\$ 240,662</u> | <u>221,918</u> | <u>181,486</u> |

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------|----------------------------|--------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Joint ventures | <u>\$ 30,221</u> | <u>5,951</u> | <u>56,923</u> | <u>17,921</u> |

(a) Joint ventures

In August, 2021, the Combined Company invested NT\$4,480 thousand in cash, in Coatmed Incorporation (hereinafter referred to as “Coatmed”), which increased the Combined Company’s equity in Cotamed from 11.03% to 20%, and became a director with the ability to participate in decision-making, so gain the significant influence, which it was evaluated using the equity method.

On January 28, 2021, the shareholders’ meeting decided to dissolve the Company, Taikbio Co., Ltd and process the liquidation; therefore, the Combined Company lost the important influence for Taikbio Co., Ltd and derived the loss NT\$6,556 thousand from the disposal of investment.

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:

| | June 30, 2022 (Not added) | December 31, 2021 | June 30, 2021 (Not added) |
|--|------------------------------|-------------------|------------------------------|
| The carrying amount of equity of individually immaterial associates at the end of the period | \$ 240,662 | 221,918 | 181,486 |

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|---------|--------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Share attributable to the Combined Company: | | | | |
| Net profit | \$ 30,221 | 5,951 | 56,923 | 17,921 |
| Other comprehensive income | (5,725) | (5,901) | 1,156 | (13,566) |
| Total comprehensive income | 24,496 | 50 | 58,079 | 4,355 |

(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.

(9) Business merges

a. Acquisition of a subsidiary – Cenefom Corp.

(a) Acquisition of transfer consideration from subsidiaries

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

(b) Acquisition of identifiable net assets

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

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

The Combined Company will keep the above matters under review during the measurement period. If new information becomes available within one year of the acquisition date relating to facts and circumstances existing at the acquisition date that would identify an adjustment to the provisional amounts described above or any additional provision for liabilities existing at the acquisition date, the accounting treatment for the acquisition will be modified. The Combined Company recognized a gain on disposal of NT\$14,370 thousand at the acquisition date for remeasurement of the fair value of the 12.12% equity held by the Combined Company prior to the acquisition date, which was recorded under “other gains and losses”.

3) Intangible assets

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

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

b. Acquisition of a subsidiary – Genejet Biotech Co., Ltd.

(a) Acquisition of transfer consideration from subsidiaries

On October 28, 2021 (the acquisition date), the Combined Company acquired an additional 70% equity in Genejet Biotech Co., Ltd. (hereinafter referred to as “Genejet”) for a total amount of \$43,316 thousand by participating in a cash capital increase, thus gaining control over the company. Therefore, from the acquisition date onwards, the company was included in the Combined Company. Genejet is mainly engaged in the research and development, production and sales of tissue adhesives. The Combined Company acquired Genejet primarily to acquire the access to existing customer base and expanding sales channel in Taiwan and Asia.

(b) Acquisition of the identifiable net assets

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

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

(c) Gains on bargain purchase

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

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

4) Intangible assets

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

(10) Real estate, plant and equipment

| | Land | Housing and Buildings | Machinery equipment | Others | Total |
|--|---------------------|--------------------------|------------------------|------------------|-------------------|
| Cost: | | | | | |
| Balance as of January 1, 2022 | \$ 1,344,108 | 3,585,151 | 6,137,565 | 2,324,470 | 13,391,294 |
| Addition | - | 10,567 | 89,124 | 475,343 | 575,034 |
| Diposal | - | - | (186,974) | (9,661) | (196,635) |
| The non-current assets held for sale to be reclassified | - | (4,430) | (16,318) | - | (20,748) |
| Other reclassifications and effect of foreign exchange rate changes | - | 22,943 | 106,578 | (86,279) | 43,242 |
| Balance as of June 30, 2022 | <u>\$ 1,344,108</u> | <u>3,614,231</u> | <u>6,129,975</u> | <u>2,703,873</u> | <u>13,792,187</u> |
| Balance as of January 1, 2021 | \$ 1,477,219 | 3,208,141 | 5,845,067 | 2,332,464 | 12,862,891 |
| Addition | - | 50,841 | 23,112 | 240,015 | 313,968 |
| Diposal | - | - | (17,896) | (749) | (18,645) |
| The non-current assets held for sale to be reclassified (note) 6 [7]) | (133,111) | (40,024) | (8,253) | (13,677) | (195,065) |
| Other reclassifications and effect of foreign exchange rate changes | - | 304,363 | 112,212 | (403,860) | 12,715 |
| Balance as of June 30, 2021 | <u>\$ 1,344,108</u> | <u>3,523,321</u> | <u>5,954,242</u> | <u>2,154,193</u> | <u>12,975,864</u> |
| Accumulated depreciation: | | | | | |
| Balance as of January 1, 2022 | \$ - | 2,008,466 | 5,162,709 | 1,726,890 | 8,898,065 |
| Depreciation for the period | - | 61,484 | 125,100 | 55,655 | 242,239 |
| Disposal | - | - | (173,850) | (9,661) | (183,511) |
| The non-current assets held for sale to be reclassified | - | - | (16,318) | - | (16,318) |
| Other reclassifications and effect of foreign exchange rate changes | - | 13,413 | 11,361 | 2,328 | 27,102 |
| Balance as of June 30, 2022 | <u>\$ -</u> | <u>2,083,363</u> | <u>5,109,002</u> | <u>1,775,212</u> | <u>8,967,577</u> |
| Balance as of January 1, 2021 | \$ - | 1,895,311 | 4,970,576 | 1,647,788 | 8,513,675 |
| Depreciation for the period | - | 64,838 | 113,058 | 41,549 | 219,445 |
| Disposal | - | - | (17,306) | (687) | (17,993) |
| The non-current assets held for sale to be reclassified (note) 6 [7]) | - | (19,943) | (5,548) | (5,665) | (31,156) |
| Other reclassifications and effect of foreign exchange rate changes | - | (2,069) | (1,670) | (401) | (4,140) |
| Balance as of June 30, 2021 | <u>\$ -</u> | <u>1,938,137</u> | <u>5,059,110</u> | <u>1,682,584</u> | <u>8,679,831</u> |
| Carrying value: | | | | | |
| January 1, 2022 | <u>\$ 1,344,108</u> | <u>1,576,685</u> | <u>974,856</u> | <u>597,580</u> | <u>4,493,229</u> |
| June 30, 2022 | <u>\$ 1,344,108</u> | <u>1,530,868</u> | <u>1,020,973</u> | <u>928,661</u> | <u>4,824,610</u> |
| 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> |
| June 30, 2021 | <u>\$ 1,344,108</u> | <u>1,585,184</u> | <u>895,132</u> | <u>471,609</u> | <u>4,296,033</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.

(11) Right-of-use assets

| | Land use right | Housing and buildings | Total |
|---|------------------|--------------------------|----------------|
| Right-of-use assets cost: | | | |
| Balance as of January 1, 2022 | \$ 63,352 | 482,953 | 546,305 |
| Addition | - | 1,170 | 1,170 |
| Reclassified as the non-current assets held for sale | (7,114) | - | (7,114) |
| Effect of changes in exchange rate | 1,320 | - | 1,320 |
| Balance as of June 30, 2022 | \$ 57,558 | 484,123 | 541,681 |
| Balance as of January 1, 2021 | \$ 63,007 | 426,531 | 489,538 |
| Addition | - | 9,552 | 9,552 |
| Lease amendment | - | (389) | (389) |
| Effect of changes in exchange rate | (210) | (1) | (211) |
| Balance as of June 30, 2021 | \$ 62,797 | 435,693 | 498,490 |
| Accumulated depreciation of right-of- use assets: | | | |
| Balance as of January 1, 2022 | \$ 15,035 | 340,980 | 356,015 |
| Depreciation for the period | 623 | 45,286 | 45,909 |
| Reclassified as the non-current assets held for sale | (2,367) | - | (2,367) |
| Effect of changes in exchange rate | 309 | - | 309 |
| Balance as of June 30, 2022 | \$ 13,600 | 386,266 | 399,866 |
| Balance as of January 1, 2021 | \$ 13,666 | 254,282 | 267,948 |
| Depreciation for the period | 646 | 42,702 | 43,348 |
| Lease amendment | - | (73) | (73) |
| Effect of changes in exchange rate | (50) | (1) | (51) |
| Balance as of June 30, 2021 | \$ 14,262 | 296,910 | 311,172 |
| Carrying value: | | | |
| January 1, 2022 | \$ 48,317 | 141,973 | 190,290 |
| June 30, 2022 | \$ 43,958 | 97,857 | 141,815 |
| January 1, 2021 | \$ 49,341 | 172,249 | 221,590 |
| June 30, 2021 | \$ 48,535 | 138,783 | 187,318 |

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.

(12) Investment property

| | Housing and buildings | Land use right | Total |
|---|----------------------------------|-----------------------|----------------|
| Cost: | | | |
| Balance as of January 1, 2022 | \$ 890,396 | 67,711 | 958,107 |
| Reclassified as the non-current assets held for sale | (595,028) | (9,184) | (604,212) |
| Effect of changes in exchange rate | 15,355 | 1,400 | 16,755 |
| Balance as of June 30, 2022 | \$ 310,723 | 59,927 | 370,650 |
| Balance at January 1, 2021 | \$ 885,528 | 67,341 | 952,869 |
| Effect of changes in exchange rate | (2,940) | (223) | (3,163) |
| Balance at June 30, 2021 | \$ 882,588 | 67,118 | 949,706 |
| Accumulated depreciation: | | | |
| Balance as of January 1, 2022 | \$ 505,452 | 21,583 | 527,035 |
| Depreciation for the period | 9,546 | 658 | 10,204 |
| Reclassified as the non-current assets held for sale | (341,222) | (3,056) | (344,278) |
| Effect of changes in exchange rate | 8,764 | 450 | 9,214 |
| Balance as of June 30, 2022 | \$ 182,540 | 19,635 | 202,175 |
| Balance as of January 1, 2021 | \$ 475,692 | 20,080 | 495,772 |
| Depreciation for the period | 13,556 | 695 | 14,251 |
| Effect of changes in exchange rate | (1,682) | (71) | (1,753) |
| Balance as of June 30, 2021 | \$ 487,566 | 20,704 | 508,270 |
| Carrying value: | | | |
| January 1, 2022 | \$ 384,944 | 46,128 | 431,072 |
| June 30, 2022 | \$ 128,183 | 40,292 | 168,475 |
| January 1, 2021 | \$ 409,836 | 47,261 | 457,097 |
| June 30, 2021 | \$ 395,022 | 46,414 | 441,436 |

The fair value of the Company's investment property was not materially different from those disclosed in Note 6 [12] of the consolidated financial statements for the year ended December 31, 2021.

(13) Intangible assets

| | Goodwill | Patented technology | Customer relationship | Purchased software | Other | Total |
|--|------------------|---------------------|-----------------------|--------------------|--------------|----------------|
| Cost: | | | | | | |
| Balance as of January 1, 2022 | \$ 32,262 | 122,173 | 34,925 | 264,009 | 1,850 | 455,219 |
| Separate acquisition | - | - | - | 17,242 | - | 17,242 |
| Reclassification and effect of exchange rate changes | - | 3,395 | - | 2,736 | 21 | 6,152 |
| Balance as of June 30, 2022 | <u>\$ 32,262</u> | <u>125,568</u> | <u>34,925</u> | <u>283,987</u> | <u>1,871</u> | <u>478,613</u> |
| Balance as of January 1, 2021 | \$ - | 47,116 | - | 218,155 | 1,490 | 266,761 |
| Separate acquisition | - | - | - | 24,295 | - | 24,295 |
| Reduction for the period | - | - | - | (743) | - | (743) |
| Reclassification and effect of exchange rate changes | - | (802) | - | 1,949 | (4) | 1,143 |
| Balance as of June 30, 2021 | <u>\$ -</u> | <u>\$ 46,314</u> | <u>-</u> | <u>243,656</u> | <u>1,486</u> | <u>291,456</u> |
| Accumulated amortization: | | | | | | |
| Balance as of January 1, 2022 | - | 54,393 | 591 | 232,897 | 1,565 | 289,446 |
| Amortization for the year | - | 7,515 | 1,773 | 20,674 | 11 | 29,973 |
| Reclassification and effect of exchange rate changes | - | 3,166 | - | 17 | 21 | 3,204 |
| Balance as of June 30, 2022 | <u>\$ -</u> | <u>65,074</u> | <u>2,364</u> | <u>253,588</u> | <u>1,597</u> | <u>322,623</u> |
| Balance as of January 1, 2021 | \$ - | 34,475 | - | 196,764 | 1,268 | 232,507 |
| Amortization for the year | - | 3,536 | - | 17,930 | 149 | 21,615 |
| Reduction for the period | - | - | - | (743) | - | (743) |
| Reclassification and effect of exchange rate changes | - | (615) | - | 5 | (4) | (614) |
| Balance as of June 30, 2021 | <u>\$ -</u> | <u>37,396</u> | <u>-</u> | <u>213,956</u> | <u>1,413</u> | <u>252,765</u> |
| Carrying amount: | | | | | | |
| Balance as of January 1, 2022 | <u>\$ 32,262</u> | <u>67,780</u> | <u>34,334</u> | <u>31,112</u> | <u>285</u> | <u>165,773</u> |
| Balance as of June 30, 2022 | <u>\$ 32,262</u> | <u>60,494</u> | <u>32,561</u> | <u>30,399</u> | <u>274</u> | <u>155,990</u> |
| Balance as of January 1, 2021 | <u>\$ -</u> | <u>12,641</u> | <u>-</u> | <u>21,391</u> | <u>222</u> | <u>34,254</u> |
| Balance as of June 30, 2021 | <u>\$ -</u> | <u>8,918</u> | <u>-</u> | <u>29,700</u> | <u>73</u> | <u>38,691</u> |

(14) Short-term borrowings

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------|---------------------|-------------------|------------------|
| Unsecured bank notes | <u>\$ 478,320</u> | <u>586,849</u> | <u>-</u> |
| Used limit | <u>\$ 9,067,001</u> | <u>9,142,627</u> | <u>9,175,060</u> |
| Interest rate range | 1.23%~2.45% | 0.75%~1.95% | - |

(15) Long-term borrowings

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|---------------------|-------------------|------------------|
| Unsecured bank notes | \$ 1,166,400 | 1,006,694 | 872,297 |
| Secured bank notes | 100,000 | 300,000 | 800,000 |
| Less: Long-term borrowings due within one year | (62,127) | (1,666) | - |
| Total | <u>\$ 1,204,273</u> | <u>1,305,028</u> | <u>1,672,297</u> |
| Unused limit | <u>\$ 5,769,150</u> | <u>3,497,000</u> | <u>3,262,890</u> |
| Expiry year (in year Republic of China) | 112-119 | 112-119 | 112-119 |
| Interest rate range | 1.25%~1.79% | 1.25%~1.85% | 1.25%~1.30% |

(a) Borrowings and repayments

For the six months ended June 30, 2022 and 2021, the Company's borrow amount of long-term loan was \$262,850 thousand and \$1,965,800 thousand. For the six months ended June 30, 2022 and 2021,

the Company's repayment amount of long-term loan principal was \$303,365 thousand and \$1,910,000 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 June 30, 2022, December 31, 2021 and June 30, 2021, the actual amount of transfer amounted on \$1,046,950 thousand, \$1,018,000 thousand, and \$887,110 thousand. The fair value of the loans was \$1,180,850 thousand, \$996,484 thousand, and \$867,555 thousand based on the market interest rate of 1.25%~1.3%, and the difference of \$23,600 thousand, \$21,516 thousand, and \$19,555 thousand is regarded as the government subsidy and recognized as deferred income. For the three and six months ended June 30, 2022 and 2021, the amount of the aforementioned deferred income transferred to "other income" amounted to \$1,168 thousand, \$987 thousand, \$2,304 thousand and \$1,978 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, 2021, was in compliance with the agreed standards in the joint loan contract.

(16) Lease liabilities

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------|---------------|-------------------|---------------|
| Current: | | | |
| Related parties | \$ 46,395 | 91,779 | 91,162 |
| Non-related parties | \$ 7,829 | 7,871 | 3,205 |
| Non-current: | | | |
| Related parties | \$ 755 | - | 46,011 |
| Non-related parties | \$ 48,510 | 52,383 | 12,786 |

Please refer to note 6 (25) for the expiry analysis.

The amounts recognized in profit or loss were as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------------------|----------------------------|-------|--------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term lease expense | \$ 3,520 | 2,310 | 6,166 | 3,423 |
| Interest expense of lease liabilities | \$ 540 | 755 | 1,189 | 1,571 |

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

| | Six Months Ended June 30 | |
|---------------------------|--------------------------|--------|
| | 2022 | 2021 |
| Total cash flows on lease | \$ 57,069 | 43,503 |

(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.

(17) Operating leases - Leaser

There was no significant addition in the Company's operating lease contracts for the six months ended June 30, 2022 and 2021. Refer to Note 6 [17] for the Consolidated Financial Statements for the year ended December 31, 2020 for the details.

(18) Employee benefits

(a) Defined benefit plans

Due to the report of December 31, 2021, 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, 2021 and 2020.

The expenses recognized were as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------|----------------------------|-----------|--------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating cost | \$ 15 | 9 | 30 | 19 |
| Operating expenses | 14 | 5 | 27 | 2 |
| | <u>\$ 29</u> | <u>14</u> | <u>57</u> | <u>21</u> |

(b) Defined contribution plans

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------|----------------------------|---------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating cost | \$ 14,236 | 11,799 | 27,918 | 23,701 |
| Operating expenses | 9,561 | 7,423 | 18,530 | 14,502 |
| | <u>\$ 23,797</u> | <u>19,222</u> | <u>46,448</u> | <u>38,203</u> |

(19) Income taxes

(a) Income tax expenses:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------|----------------------------|---------------|--------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income tax for the period | <u>\$ 59,051</u> | <u>76,090</u> | <u>98,443</u> | <u>122,205</u> |

(b) There was no income tax that was directly recognized in equity or other comprehensive profit or loss for the three months ended in June 30, 2022 and 2021.

(c) The ROC income tax authorities have examined the Company's income tax returns through 2020.

(20) Capital and other equity

1) Common stock

As of June 30, 2022, and December 31 and June 30, 2021, the total value of nominal common stocks amounted to \$4,800,000 thousand, 4,000,000 thousand and 4,000,000 thousand, respectively, with a par value of NT\$ 10 per share, consisting of 480,000 thousand shares, 400,000 thousand shares and 400,000 thousand shares issued. There were 320,675 thousand shares of ordinary shares already issued.

2) Capital reserve

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------|-------------------|---------------|
| Changes in net equity of associates accounted for using equity method | \$ 5,808 | 5,808 | 11,428 |

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

- 3) Retained earnings
- According to the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, tax should be paid first to make up for previous losses, 10% of the 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 profits 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 technological and capital-intensive industry that is in the midst of a growth period. In order to cooperate with a 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, 2012, 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 2021 and 2020 distributions of earnings were resolved at the shareholders' meetings on May 3, 2022 and May 6, 2021. The dividends distributed to owners are as follows:

| | | 2021 | | | 2020 |
|------|----|-------------------------|---------|----|---------|
| | | Earnings per share(TWD) | Amount | | |
| | | | | | |
| Cash | \$ | 1.50 | 481,012 | \$ | 0.70 |
| | | | | | 224,472 |

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

4) Other equity (after tax)

| | Exchange differences arising on translation of financial statements of foreign operations | Remeasurement of defined welfare plan | Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | Total |
|--|--|--|---|-----------------|
| January 1, 2022 | (\$51,470) | (28,929) | (22,910) | (103,309) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| Consolidated company | 37,983 | - | - | 37,983 |
| Joint venture | 1,156 | - | - | 1,156 |
| Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | - | - | 8,450 | 8,450 |
| Balance as of June 30, 2022 | (\$12,331) | (28,929) | (14,460) | (55,720) |
| Balance as of January 1, 2021 | (\$40,946) | (21,997) | (20,591) | (83,534) |
| The exchange differences yielded by net assets of overseas operating institutions: | | | | |
| Consolidated company | (5,706) | - | - | (5,706) |
| Joint venture | (13,566) | - | - | (13,566) |
| Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income | - | - | 3,241 | 3,241 |
| Balance as of June 30, 2021 | (\$60,218) | (21,997) | (17,350) | (99,565) |

5) Non-controlling equity (after tax)

| | Six Months Ended June 30, 2022 |
|--|--------------------------------|
| Balance at the beginning of the year | \$ 113,273 |
| Share attributable to non-controlling interests: | |
| Net loss of the period | (4,613) |
| | \$ 108,660 |

(21) Earnings per share

(a) Basic earnings per share

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|----------------|--------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net profit attributable to holders of common equity of the Company | \$ 261,729 | 274,910 | 554,512 | 441,213 |
| The weighted average number of shares outstanding (thousand shares) | 320,675 | 320,675 | 320,675 | 320,675 |
| Basic earnings per share (in dollars) | \$ 0.82 | 0.86 | \$ 1.73 | 1.38 |

(b) Diluted earnings per share

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|---------|--------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Net profit attributable to holders of common equity of the Company | \$ 261,729 | 274,910 | 554,512 | 441,213 |
| The weighted average number of shares outstanding (thousand shares) | 320,675 | 320,675 | 320,675 | 320,675 |
| Effect of potentially dilutive shares of common stocks (thousand shares): | | | | |
| Employee bonuses | 2,315 | 2,395 | 3,463 | 2,941 |
| The weighted average number of shares outstanding (thousand shares) (After adjusting the number of dilutive potential common shares impact) | 322,990 | 323,070 | 324,138 | 323,616 |
| Diluted earnings per share (in dollars) | 0.81 | 0.85 | 1.71 | 1.36 |

(22) Revenue from contracts with customers

(a) Disaggregation of revenue

| Three Months Ended June 30, 2022 | | | |
|----------------------------------|--------------------|---------|-----------|
| | Film sheet segment | Others | Total |
| Primary geographical market: | | | |
| China | \$ 2,471,014 | 264,713 | 2,735,727 |
| Taiwan | 1,017,599 | 111,398 | 1,128,997 |
| Others | 106,552 | 140,404 | 246,956 |
| | \$ 3,595,165 | 516,515 | 4,111,680 |
| Major products/services: | | | |
| Optoelectronics | \$ 3,595,165 | - | 3,595,165 |
| Others | - | 516,515 | 516,515 |
| | \$ 3,595,165 | 516,515 | 4,111,680 |

| Three Months Ended June 30, 2021 | | | |
|----------------------------------|--------------------|---------|-----------|
| | Film sheet segment | Others | Total |
| Primary geographical market: | | | |
| China | \$ 2,670,956 | 221,217 | 2,892,173 |
| Taiwan | 1,149,398 | 103,143 | 1,252,541 |
| Others | 55,394 | 83,013 | 138,407 |
| | \$ 3,875,748 | 407,373 | 4,283,121 |
| Major products/services: | | | |
| Optoelectronics | \$ 3,875,748 | - | 3,875,748 |
| Others | - | 407,373 | 407,373 |
| | \$ 3,875,748 | 407,373 | 4,283,121 |

| Six Months Ended June 30, 2022 | | | |
|--------------------------------|---------------------|----------------|------------------|
| | Film sheet segment | Others | Total |
| Primary geographical market: | | | |
| China | \$ 4,872,637 | 471,614 | 5,344,251 |
| Taiwan | 2,240,223 | 230,112 | 2,470,335 |
| Others | 209,682 | 251,472 | 461,154 |
| | \$ 7,322,542 | 953,198 | 8,275,740 |
| Major products/services: | | | |
| Optoelectronics | \$ 7,322,542 | - | 7,322,542 |
| Others | - | 953,198 | 953,198 |
| | \$ 7,322,542 | 953,198 | 8,275,740 |

| Six Months Ended June 30, 2021 | | | |
|--------------------------------|---------------------|----------------|------------------|
| | Film sheet segment | Others | Total |
| Primary geographical market: | | | |
| China | \$ 5,217,619 | 396,392 | 5,614,011 |
| Taiwan | 2,243,491 | 227,137 | 2,470,628 |
| Others | 109,043 | 165,721 | 274,764 |
| | \$ 7,570,153 | 789,250 | 8,359,403 |
| Major products/services: | | | |
| Optoelectronics | \$ 7,570,153 | - | 7,570,153 |
| Others | - | 789,250 | 789,250 |
| | \$ 7,570,153 | 789,250 | 8,359,403 |

(b) Contract balances

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------------|-------------------|------------------|
| Notes and accounts receivable (including related parties) | \$ 3,247,592 | 2,881,481 | 2,697,705 |
| Deduction: Allowance for loss | (19,719) | (19,316) | (19,726) |
| Total | \$ 3,227,873 | 2,862,165 | 2,677,979 |

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

(23) 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 and six months ended June 30, 2022 and 2021, BenQ accrued the remuneration to employees amounting to \$35,575 thousand, \$39,050 thousand, \$72,694 thousand and \$62,632 thousand, respectively, remuneration to directors amounting to \$2,668 thousand, \$2,928 thousand, \$5,452 thousand and \$4,697 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 2021 and 2020, in the amounting to \$134,276 thousand and \$55,119 thousand, respectively, remuneration to directors amounting to \$10,071 thousand and \$4,134 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.

(24) Non-operating profit and loss

(a) Interest revenue

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------|----------------------------|------|--------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest on bank deposits | \$ 575 | 251 | 1,147 | 371 |

(b) Other Income

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------------------|----------------------------|-------|--------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Government subsidy revenue | \$ 6,539 | 2,113 | 7,796 | 7,025 |

(c) Other gains and losses

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------|--------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Disposal of real estate, plant and equipment interests (losses) | (\$2,564) | (4) | (12,903) | 108 |
| Disposal of investments loss | - | - | - | (8,928) |
| Profits in the disposal of non-current assets held for sale | - | - | 109,790 | - |
| Net foreign currency exchange profits (losses) | 192,071 | (4,050) | 272,915 | 140,136 |
| Net profits (loss) from financial assets (liabilities) measured at fair value through profits (losses) | | | | |
| - Derivative instruments | (142,296) | 40,373 | (219,338) | (39,197) |
| Others | 3,541 | 1,937 | 6,118 | 3,778 |
| | \$ 50,752 | 38,256 | 156,582 | 95,897 |

(d) Finance costs

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------------------|----------------------------|----------|--------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expense of bank loans | (\$14,201) | (9,899) | (24,392) | (19,810) |
| Lease liabilities | (540) | (755) | (1,189) | (1,571) |
| | (\$14,741) | (10,654) | (25,581) | (21,381) |

(25) 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 [25] [26] of the consolidated financial statements for the year ended December 31, 2021.

(a) Types of financial instruments

1) Financial assets

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------------|-------------------|------------------|
| Financial assets at fair value through profit or loss: | | | |
| Foreign exchange forward contract | \$ 1,230 | 1,093 | 819 |
| Foreign exchange swaps | - | 4,815 | 403 |
| Subtotal | 1,230 | 5,908 | 1,222 |
| Financial assets at fair value through profit or loss | 75,414 | 64,677 | 71,737 |
| Financial assets measured at amortized cost: | | | |
| Cash and cash equivalents | 229,384 | 278,127 | 148,676 |
| Notes and accounts receivable and other receivables (including related parties) | 3,401,901 | 3,047,027 | 2,865,152 |
| Other financial assets - current | 42,060 | 87,084 | 8,337 |
| Guarantee deposits paid | 26,720 | 28,974 | 28,023 |
| Subtotal | 3,700,065 | 3,441,212 | 3,050,188 |
| Total | \$ 3,776,709 | 3,511,797 | 3,123,147 |

2) Financial liabilities

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------------|-------------------|------------------|
| Financial liabilities at fair value through profit or loss: | | | |
| Foreign currency forward contract | \$ 34,415 | 9,361 | 12,539 |
| Foreign Exchange swaps | 3,575 | - | - |
| Subtotal | 37,990 | 9,361 | 12,539 |
| Financial liabilities measured at amortized cost: | | | |
| Short-term borrowings | 478,320 | 586,849 | - |
| Notes and accounts payable and other payables (including related parties) | 4,893,852 | 4,740,791 | 4,615,473 |
| Long-term borrowings (including loans due within one year) | 1,266,400 | 1,306,694 | 1,672,297 |
| Lease liabilities – current and non-current (including related parties) | 103,489 | 152,033 | 153,164 |
| Guarantee deposit received | 20,127 | 25,912 | 25,775 |
| Subtotal | 6,762,188 | 6,812,279 | 6,466,709 |
| Total | \$ 6,800,178 | 6,821,640 | 6,479,248 |

(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 June 30, 2022, December 31 and June 30, 2021 totaled \$14,836,151 thousand, \$12,639,627 thousand and \$12,437,950 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 |
|--|---------------------------|--------------------|----------------|------------------|----------------------|
| June 30, 2022 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | \$ 480,214 | 480,214 | - | - | - |
| Accounts payable (including related parties) | 2,876,757 | 2,876,757 | - | - | - |
| Other payables (including related parties) | 2,017,095 | 2,017,095 | - | - | - |
| Long-term borrowings (floating rate) | 1,328,050 | 5,465 | 67,460 | 1,007,293 | 247,832 |
| Lease liabilities (including related parties) | 107,825 | 50,908 | 4,536 | 27,910 | 24,471 |
| Guarantee deposit received | 20,127 | 1,104 | 986 | 16,484 | 1,553 |
| | \$ 6,830,068 | 5,431,543 | 72,982 | 1,051,687 | 273,856 |
| Derivative financial instruments | | | | | |
| Foreign exchange forward contracts - Total delivery: | | | | | |
| Inflow | (\$1,700,590) | (1,700,590) | - | - | - |
| Outflow | 1,733,775 | 1,733,775 | - | - | - |
| Foreign exchange swaps - Net delivery | 3,575 | 3,575 | - | - | - |
| | \$ 36,760 | 36,760 | - | - | - |
| December 31, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | \$ 589,182 | 288,139 | 301,043 | - | - |
| Accounts payable (including related parties) | 3,189,621 | 3,189,621 | - | - | - |
| Other payables (including related parties) | 1,551,170 | 1,551,170 | - | - | - |
| Long-term borrowings (floating rate) | 1,363,271 | 6,645 | 6,695 | 1,108,612 | 241,319 |
| Lease liabilities (including related parties) | 157,893 | 50,869 | 50,708 | 43,116 | 13,200 |
| Guarantee deposit received | 25,912 | 1,010 | 7,357 | 16,448 | 1,097 |
| | \$ 6,877,049 | 5,087,454 | 365,803 | 1,168,176 | 255,616 |
| Derivative financial instruments | | | | | |
| Foreign exchange forward contracts - Total delivery: | | | | | |
| Inflow | (\$1,666,554) | (1,666,554) | - | - | - |
| Outflow | 1,674,822 | 1,674,822 | - | - | - |
| Foreign exchange swaps - Net delivery | (4,815) | (4,815) | - | - | - |
| | \$ 3,453 | 3,453 | - | - | - |

| | Contractual cash flows | Within 6 months | 6-12 years | 1-5 years | More than 5 years |
|--|---------------------------|--------------------|---------------|------------------|----------------------|
| June 30, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Accounts payable (including related parties) | \$ 3,142,834 | 3,142,834 | - | - | - |
| Other payables (including related parties) | 1,472,639 | 1,472,639 | - | - | - |
| Long-term borrowings (floating rate) | 1,741,943 | 8,494 | 8,392 | 1,451,754 | 273,303 |
| Lease liabilities (including related parties) | 156,152 | 48,185 | 48,151 | 59,816 | - |
| Guarantee deposit received | 25,775 | 7,663 | 1,329 | 15,740 | 1,043 |
| | \$ 6,539,343 | 4,679,815 | 57,872 | 1,527,310 | 274,346 |
| Derivative financial instruments | | | | | |
| Foreign exchange forward contracts - Total delivery: | | | | | |
| Inflow | (\$1,562,903) | (1,562,903) | - | - | - |
| Outflow | 1,574,623 | 1,574,623 | - | - | - |
| Foreign exchange swaps - Net delivery | (403) | (403) | - | - | - |
| | \$ 11,317 | 11,317 | - | - | - |

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

| June 30, 2022 | | | | | |
|-----------------------|---------------------|------------------|-------------------------|-----------------------------|---------------------------|
| | Foreign currency | Exchange rate | New Taiwan Dollar | Exchange rate changes | Profit and loss impact |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | \$ 126,791 | 29.720 | 3,768,229 | 1% | 37,682 |
| JPY | 281,266 | 0.2182 | 61,372 | 1% | 614 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 56,913 | 29.720 | 1,691,454 | 1% | 16,915 |
| JPY | 6,973,513 | 0.2182 | 1,521,621 | 1% | 15,216 |

| December 31, 2021 | | | | | |
|-----------------------|---------------------|------------------|----------------------|--------------------------|---------------------------|
| | Foreign currency | Exchange rate | New Taiwan Dollar | Exchange rate changes | Profit and loss impact |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | \$ 124,059 | 27.680 | 3,433,953 | 1% | 34,340 |
| JPY | 157,306 | 0.2404 | 37,816 | 1% | 378 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 67,328 | 27.680 | 1,863,639 | 1% | 18,636 |
| JPY | 6,793,493 | 0.2404 | 1,633,156 | 1% | 16,332 |
| June 30, 2021 | | | | | |
| | Foreign currency | Exchange rate | New Taiwan Dollar | Exchange rate changes | Profit and loss impact |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | \$ 104,416 | 27.868 | 2,909,865 | 1% | 29,099 |
| JPY | 158,519 | 0.2522 | 39,978 | 1% | 400 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 43,433 | 27.868 | 1,210,391 | 1% | 12,104 |
| JPY | 6,533,659 | 0.2522 | 1,647,789 | 1% | 16,478 |

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 (losses) gains for the three and six months ended June 30, 2022 and 2021, Refer to note 6 (24) for the details.

(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 for the basis of repeatability. The table below provides an analysis of financial instruments measured subsequently 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).

| June 30, 2022 | | | | | |
|--|-------------------|------------|-----------------|---------------|-----------------|
| | Carrying amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through the profits and loss: | | | | | |
| Foreign exchange forward | \$ 1,230 | - | 1,230 | - | 1,230 |
| | \$ 1,230 | - | 1,230 | - | 1,230 |
| Financial assets at fair value through Other Comprehensive Income: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | \$ 63,941 | - | 63,941 | - | 63,941 |
| Non-listed Stocks | 11,473 | - | - | 11,473 | 11,473 |
| | \$ 75,414 | - | 63,941 | 11,473 | 75,414 |
| Financial liabilities at FVTPL: | | | | | |
| Foreign exchange forward | (\$34,415) | - | (34,415) | - | (34,415) |
| Foreign exchange swaps | (3,575) | - | (3,575) | - | (3,575) |
| | (\$37,990) | - | (37,990) | - | (37,990) |
| December 31, 2021 | | | | | |
| | Carrying amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at FVTPL: | | | | | |
| Foreign exchange forward | \$ 1,093 | - | 1,093 | - | 1,093 |
| Foreign exchange swaps | 4,815 | - | 4,815 | - | 4,815 |
| | 5,908 | - | 5,908 | - | 5,908 |
| Financial assets at fair value through Other Comprehensive Income: | | | | | |
| Stocks listed in the emerging stock market in Taiwan | \$ 55,490 | - | 55,490 | - | 55,490 |
| Non-listed Stocks | 9,187 | - | - | 9,187 | 9,187 |
| | \$ 64,677 | - | 55,490 | 9,187 | 64,677 |
| Financial liabilities at FVTPL: | | | | | |
| Foreign exchange forward | (\$9,361) | - | (9,361) | - | (9,361) |

| | June 30, 2021 | | | | |
|--|-----------------|------------|---------------|--------------|---------------|
| | | Fair Value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTPL: | | | | | |
| Foreign exchange forward | \$ 819 | - | 819 | - | 819 |
| Foreign exchange swaps | 403 | - | 403 | - | 403 |
| | <u>\$ 1,222</u> | | <u>1,222</u> | | <u>1,222</u> |
| Financial assets at fair value through Other Comprehensive Income: | | | | | |
| Stocks listed in the emerging stock market in | | | | | |
| Taiwan | \$ 62,009 | - | 62,009 | - | 62,009 |
| Non-listed Stocks | 9,728 | - | - | 9,728 | 9,728 |
| | <u>71,737</u> | <u>-</u> | <u>62,009</u> | <u>9,728</u> | <u>71,737</u> |
| Financial liabilities at FVTPL: | | | | | |
| Foreign exchange forward | (\$12,539) | - | (12,539) | - | (12,539) |

(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 six months ended June 30, 2022 and 2021.

(g) Level 3 sheet of changes

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|--------------|--------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Beginning balances | \$ 11,473 | 5,400 | 9,187 | 1,500 |
| Purchase for the period | - | 5,287 | 2,286 | 9,187 |
| Changes in other comprehensive profit and loss recognized in the current period | - | (959) | - | (959) |
| Ending balances | <u>\$ 11,473</u> | <u>9,728</u> | <u>\$ 11,473</u> | <u>9,728</u> |

(26) 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(26) of the consolidated financial statements for the year ended December 31, 2021.

(27) 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, 2021. Refer to note 6(27) for the consolidated financial statements for the year ended December 31, 2021 for the relevant information.

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

(a) Refer to Note 6(11) for The Company acquired the right-of-use assets by lease for the six months ended June 30, 2022 and 2021.

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

| | January 1, 2022 | Cash flows | Changes in non-cash | | June 30, 2022 |
|---|---------------------|------------------|------------------------------|-----------------------|------------------|
| | | | Additional lease liabilities | Assessment adjustment | |
| Short-term borrowings | \$ 586,849 | (108,529) | - | - | 478,320 |
| Long-term borrowings | | | | | |
| (including loans due within one year) | 1,306,694 | (40,515) | - | 221 | 1,266,400 |
| Guarantee deposit received | 25,912 | (5,785) | - | - | 20,127 |
| Lease liabilities (including related parties) | 152,033 | (49,714) | 1,170 | - | 103,489 |
| Total liabilities from financing activities | <u>\$ 2,071,488</u> | <u>(204,543)</u> | <u>1,170</u> | <u>221</u> | <u>1,868,336</u> |

| | January 1, 2021 | Cash flows | Changes in non-cash | | | June 30, 2021 |
|---|---------------------|------------------|------------------------------|-----------------|-----------------------|------------------|
| | | | Additional lease liabilities | Amendment lease | Assessment adjustment | |
| Short-term borrowings | \$ 150,000 | (150,000) | - | - | - | - |
| Long-term borrowings | 1,614,624 | 55,800 | - | - | 1,873 | 1,672,297 |
| Guarantee deposit received | 21,187 | 4,588 | - | - | - | 25,775 |
| Lease liabilities (including related parties) | 182,439 | (38,509) | 9,552 | (318) | - | 153,164 |
| Total liabilities from financing activities | <u>\$ 1,968,250</u> | <u>(128,121)</u> | <u>9,552</u> | <u>(318)</u> | <u>1,873</u> | <u>1,851,236</u> |

7. Related-party Transactions

(I) Name and relationship of related parties

| Name of related parties | Relationship with the Company |
|--|---|
| Qisda Corporation (Qisda) | Parent company of the Combined Company |
| Visco Vision Inc. (Visco Vision) | Affiliated company of the Combined Company |
| Cenefom Corp. (Cenefom) | Subsidiary of the Combined Company (Note 1) |
| MLK Bioscience Co., Ltd | Affiliated company of the Company |
| Visco Technology Sdn. Bhd.(VVM) | Subsidiary of Visco Vision |
| Other related parties: | |
| BenQ foundation | The actual related parties of Qisda |
| Darfon Electronics Corp. (Darfon) | Affiliated company of Qisda |
| AU Optronics Corp. (AU) | The corporate shareholder of Qisda accounting for using the equity method |
| AU Optronics (Suzhou) Corp. (AUS) | Subsidiary of AUO |
| AU Optronics (Kunshan) Corp. | Subsidiary of AUO |
| AU Optronics (Xiamen) Corp. (AUX) | Subsidiary of AUO |
| AUO Care (Suzhou) Co., Ltd | Subsidiary of AUO |
| Darwin Precisions Industry (Xiamen) Corp. | Subsidiary of AUO |
| Darwin Precisions Industry (Suzhou) Corp. | Subsidiary of AUO |
| Fuxun Optoelectronics Industry (Suzhou) Co., Ltd | Subsidiary of AUO |
| Dazhahui Intelligent Manufacturing (Suzhou) Co., Ltd | Subsidiary of AUO |
| Edgetech Info-Technology (Suzhou) Co., Ltd | Subsidiary of AUO |
| AUO Display Plus Corp. | |
| AUO Digital Technology Services (Suzhou) Co., Ltd | Subsidiary of AUO |
| Space4M Inc. | Subsidiary of AUO |
| Daji Education Development Co., Ltd | Subsidiary of AUO |
| AUO Envirotech Inc. | Subsidiary of AUO |
| AUO Care Co., Ltd | Subsidiary of AUO |
| AUO Digital Technology Services Co., Ltd | Subsidiary of AUO |
| DFI Inc. | Subsidiary of Qisda |
| Suzhou BenQMedical Hospital (SMH) | Subsidiary of Qisda |
| Aon Medical Equipment Trading (Suzhou) | Subsidiary of Qisda |
| Lily-Medical Corp. | Subsidiary of Qisda |

(Continued on the next page)

| Name of related parties | Relationship with the Combined Company |
|--|--|
| Darly Venture Inc. | 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 Thailand Co., Ltd. | Subsidiary of Qisda |
| ACE Energy Co., Ltd (Original name: BenQESCO 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 Intelligent Technology (Shanghai) Co., Ltd | Subsidiary of Qisda |
| Suzhou Qisda Optoelectronics Co., Ltd. | Subsidiary of Qisda |
| Metaage Corporation (Original name: Sysage Technology Co., Ltd | Subsidiary of Qisda |
| Ace Pillar Co., Ltd. | Subsidiary of Qisda |
| Data Image Corp. | Subsidiary of Qisda |
| Aewin Technologies Co., Ltd. | Subsidiary of Qisda |
| AdvancedTEK International Corp. | Subsidiary of Qisda |
| Global intelligence Network Co., Ltd. | Subsidiary of Qisda |
| Simula Technology Inc. | Subsidiary of Qisda |
| BenQ Medical Equipment (Shanghai) Co., Ltd. | Subsidiary of Qisda |
| Alpha Network Inc. | Subsidiary of Qisda |
| Epic Cloud information Intergation Corp. | Subsidiary of Qisda |
| Statinc Company | Subsidiary of Qisda |
| Action Star Technology Co., Ltd. | Subsidiary of Qisda |
| Diva Laboratories Ltd. | Subsidiary of Qisda |

Note 1. Formerly as an affiliate of the Combined Company, it has become a subsidiary of the Combined Company since October 2021.

(2) The Company's significant related party transactions

(a) Operating income

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------------|----------------------------|------------------|--------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Other related parties: | | | | |
| AU | \$ 866,505 | 1,008,350 | 1,937,936 | 1,947,410 |
| AUS | 199,658 | 252,752 | 522,417 | 546,215 |
| AUX | 253,025 | 195,550 | 423,002 | 404,171 |
| Others | 4,373 | 3,646 | 11,438 | 8,015 |
| Affiliated of company - VVM | 42,615 | 24,691 | 78,487 | 54,165 |
| Other affiliated companies | 240 | 1,426 | 480 | 2,654 |
| Parent company | - | - | - | 21 |
| | \$ 1,366,416 | 1,486,415 | \$ 2,973,760 | 2,962,651 |

The transaction price sold to related parties is not significantly different from the general sales prices, except that there is no general action price to compare due to the different specifications of some commodities. The collection period is 90~120 days, which is not significantly different from ordinary transactions.

(b) Purchases

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------|----------------------------|---------------|--------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Affiliated of company | \$ 90,280 | 48,309 | 179,557 | 152,968 |

The purchase prices for the transactions of related parties were not comparable to the purchase prices for the 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 June 30 | | Six Months Ended June | |
|--------------------------|------------------------|----------------------------|--------------|-----------------------|---------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Parent of company | Intangible assets | \$ 450 | - | 1,749 | 982 |
| Other related parties | Intangible assets | 2,171 | 4,060 | 5,509 | 7,348 |
| | Real estate, plant and | | | | |
| Other related parties | equipment | 3,240 | 5,750 | 3,240 | 5,750 |
| | | <u>\$ 5,861</u> | <u>9,810</u> | <u>10,498</u> | <u>14,080</u> |

In January, 2022, the Combined Company sold the machinery equipment to Other related parties by \$320 thousand, derived the disposal of the loss of \$2,405 thousand, the related expenses had been received as of the end of June 30, 2022.

(d) Lease

The Combined Company rent and pay for the plants and offices from AUO every month, which is referred to neighboring areas for the rental. Besides, the Combined Company signed a new contract with AUO to rent the office from them, and recognized the same amount as right-of-use assets and lease liabilities was amounted to \$1,170 thousand. Interest expense for the three and six months ended June 30, 2022, and 2021, amounted to \$275 thousand, \$680 thousand, \$652 thousand, and \$1,462 thousand. As of June 30, 2022, December 31, and June 30, 2021, the lease liabilities amounted to \$47,150 thousand, \$91,779 thousand, and \$137,173 thousand.

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------|----------------------------|------------|--------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Other related parties | <u>\$ 357</u> | <u>476</u> | <u>709</u> | <u>1,017</u> |

(e) Dividend

- 1) As of June 30, 2022, December 31 and June 30 2021, the dividends of the related parties of the receivables (are recorded under the related parties of the other receivables) for the Combined Company, the details are as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------|------------------|-------------------|---------------|
| Affiliated of company | <u>\$ 39,335</u> | <u>-</u> | <u>10,817</u> |

- 2) As of June 30, 2022, December 31 and June 30 2021, the dividends of the related parties of the payable (are recorded under the related parties of the other payable) for the Combined Company, the details are as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------|-------------------|-------------------|---------------|
| Parent of company | \$ 65,489 | - | 30,562 |
| Other related parties | 144,046 | - | 67,221 |
| | <u>\$ 209,535</u> | <u>-</u> | <u>97,783</u> |

(f) Donation

As of the three and six month ended June 30, 2022 and 2021, the Combined Company donated to BenQ foundation, amounted to \$3,000 thousand, \$0 thousand, \$3,000 thousand, and \$0 thousand, respectively.

(g) Accounts receivable – related parties

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

| Account | Related-party categories | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|-------------------------------|-------------------|-------------------|----------------|
| Accounts receivable - related parties, net | Others related parties- AUO | \$ 618,447 | 419,854 | 468,751 |
| | Others related parties- AUS | 143,612 | 88,716 | 90,911 |
| | Other related parties- AUX | 46,523 | 51,334 | 135,735 |
| | Other related parties- others | 5,187 | 7,975 | 4,313 |
| | Affiliated company - VVM | 36,481 | 42,066 | 27,692 |
| | Other affiliated companies | 504 | 190 | 1,504 |
| | Subtotal | 850,754 | 610,135 | 728,903 |
| Other receivables – related parties | Other related-parties | 10 | 20 | 69 |
| | Affiliated company - Visco | 39,335 | - | 10,817 |
| | Subtotal | 39,345 | 20 | 10,886 |
| | | \$ 890,099 | 610,155 | 739,789 |

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:

| June 30, 2022 | | | | | | |
|---|---------------------|-----------------------------|------------------|---|------------------------|-------------------------|
| Underwriter | Factored amount | Amount of advance available | Advance amount | Amount transferred to other accounts receivable (Note 6(5)) | Range of interest rate | Other important matters |
| Mega International Commercial Bank CTBC Bank Co., Ltd | \$ 330,222 | - | 297,200 | 33,022 | 3.18% | Promissory note 150,000 |
| | 445,800 | - | 401,220 | 44,580 | 2.55% | None - |
| | \$ 776,022 | - | 698,420 | 77,602 | | 150,000 |
| December 31, 2021 | | | | | | |
| Underwriter | Factored amount | Amount of advance available | Advance amount | Amount transferred to other accounts receivable (Note 6(5)) | Range of interest rate | Other important matters |
| Mega International Commercial Bank CTBC Bank Co., Ltd | \$ 763,366 | - | 687,030 | 76,336 | 0.80% | Promissory note 150,000 |
| | 551,918 | - | 496,727 | 55,191 | 0.89% | None - |
| | \$ 1,315,284 | - | 1,183,757 | 131,527 | | 150,000 |
| June 30, 2021 | | | | | | |
| Underwriter | Factored amount | Amount of advance available | Advance amount | Amount transferred to other accounts receivable (Note 6(5)) | Range of interest rate | Other important matters |
| Mega International Commercial Bank CTBC Bank Co., Ltd | \$ 699,865 | - | 629,842 | 70,023 | 1.05% | Promissory note 150,000 |
| | 411,452 | - | 370,087 | 41,365 | 0.88% | Promissory note 50,162 |
| | \$ 1,111,317 | - | 999,929 | 111,388 | | 200,162 |

(h) Accounts payable – related parties

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

| Account | Categories of the related parties | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------------------------|--|----------------------|--------------------------|----------------------|
| Accounts payable - related parties | Affiliated companies | \$ 73,604 | 48,362 | 20,549 |
| | Other related parties | - | 74 | - |
| | Subtotal | 73,604 | 48,436 | 20,549 |
| Other payables - related parties | Other related parties | 19,575 | 24,102 | 30,499 |
| | Parent company | 4,341 | - | 1,654 |
| | Affiliated companies | - | 6 | 5 |
| | Subtotal | 23,916 | 24,108 | 32,158 |
| | | \$ 97,520 | 72,544 | 52,707 |

(3) Compensation of major managerial personnel

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-----------------------------------|---------------|---------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits and compensation | \$ 16,626 | 15,030 | 32,800 | 29,661 |
| Retirement benefits | 81 | 81 | 162 | 162 |
| | \$ 16,707 | 15,111 | 32,962 | 29,823 |

8. Pledged assets

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

| Asset name | Purpose of pledge | June 30, 2022 | Dece. 31, 2021 | June 30, 2021 |
|---|----------------------------|----------------------|-----------------------|----------------------|
| | Long-term | | | |
| Land, buildings and structures | borrowings | \$ 623,593 | 629,602 | 639,587 |
| Other financial assets - current - deposit certificated | Letter of credit guarantee | - | - | 2,952 |
| | | \$ 623,593 | 629,602 | 642,539 |

9. Material contingent liabilities and unrecognized contractual commitments

Significant unrecognized contract commitments:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|----------------------|--------------------------|----------------------|
| Unused letters of credit issued | \$ 1,453,649 | 683,141 | 1,289,158 |
| Signed and unpaid major engineering and equipment payments | 1,100,813 | 599,853 | 466,578 |

10. Significant Loss from disaster: None

11. Significant subsequent events: None

12. Others

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

| Function Nature | Three Months Ended June 30, 2022 | | | Three Months Ended June 30, 2021 | | |
|---|----------------------------------|--------------------|---------|----------------------------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses: | | | | | | |
| Salaries expenses | 400,143 | 234,457 | 634,600 | 361,067 | 189,482 | 550,549 |
| Labor insurance and national health insurance | 29,482 | 14,641 | 44,123 | 25,782 | 11,635 | 37,417 |
| Pension expenses | 14,251 | 9,575 | 23,826 | 11,808 | 7,428 | 19,236 |
| Other employee benefits expenses | 21,863 | 8,776 | 30,639 | 19,479 | 6,415 | 25,894 |
| Depreciation | 121,409 | 28,044 | 149,453 | 118,668 | 21,108 | 139,776 |
| Amortization | 4,286 | 10,838 | 15,124 | 3,526 | 7,499 | 11,025 |

| Function Nature | Six Months Ended June 30, 2022 | | | Six Months Ended June 30, 2021 | | |
|---|--------------------------------|--------------------|-----------|--------------------------------|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses: | | | | | | |
| Salaries expenses | 790,762 | 445,279 | 1,236,041 | 711,711 | 360,629 | 1,072,340 |
| Labor insurance and national health insurance | 62,036 | 31,481 | 93,517 | 53,092 | 24,281 | 77,373 |
| Pension expenses | 27,948 | 18,557 | 46,505 | 23,720 | 14,504 | 38,224 |
| Other employee benefits expenses | 41,966 | 16,405 | 58,371 | 38,078 | 12,195 | 50,273 |
| Depreciation | 245,404 | 52,948 | 298,352 | 236,181 | 40,863 | 277,044 |
| Amortization | 8,688 | 21,285 | 29,973 | 6,925 | 14,690 | 21,615 |

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

13. Additional disclosures

(I) Information on significant transactions:

For the six months ended June 30, 2022, 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 | Lending company | Lending subject | Contact accounts | Whether he/she is related party | Highest endorsement or guarantee amount for the current period | Balance at the end of the year | Actual amount expenditure | Interest rate range | Nature of financing (Note 2) | Tranction amount | Reason for financing | Allowance for allowance for loss amount | Collateral | | Limit on loans granted to a single party | Fund loan and total limit |
|----|-----------------|--|-----------------------------------|---------------------------------|--|--------------------------------|---------------------------|---------------------|------------------------------|------------------|----------------------|---|------------|-------|--|---------------------------|
| | | | | | | | | | | | | | Name | Value | | |
| 1 | BMS (Note 1) | BenQ Material (Wuhu) Co., Ltd. | Other receivables-related parties | Yes | 1,191,679 (RMB265,000) | 1,176,362 (RMB265,000) | 751,540 (RMB169,300) | 1.3% | 2 | - | Operating turnover | - | | - | 2,022,371 | 2,022,371 |
| 2 | BMS (Note 1) | BenQ Medical Technology (Suzhou) Co., Ltd. | Other receivables-related parties | Yes | 356,552 (RMB80,000) | 355,128 (RMB80,000) | 237,492 (RMB53,500) | 1.3% | 2 | - | Operating turnover | - | | - | 2,022,371 | 2,022,371 |

(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, affiliated and joint equity):

| Name of company held | Type and name of marketable securities | Relationship with the securities issuer | Listed accounts | Ending Balance | | | | Note |
|----------------------|--|---|---|----------------|-------------|---------------|------------|------|
| | | | | Shares | Book amount | Ownership (%) | Fair Value | |
| BenQ | Shares of Biodenta Corporation | - | Financial assets at fair value through the profit and loss | 225 | (Note) | 2.50% | - | |
| BenQ | Shares of Lagis Corporation | - | Financial assets at fair value through other comprehensive income | 1,680 | 63,941 | 5.25% | 63,941 | |
| BenQ | Shares of Summed Corporation | - | Financial assets at fair value through other comprehensive income | 300 | 3,000 | 2.73% | 3,000 | |
| BenQ | Shares of Cuumed Catheter Medical Co., Ltd | - | Financial assets at fair value through other comprehensive income | 399 | 8,473 | 2.08% | 8,473 | |

(Note): It was all recognized as impairment losses.

- (d) Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or more than 20% of the paid-in capital or more: None.
- (e) Acquisition of the real estate reaching NT\$300 million or more than 20% of paid-in capital or more: None.
- (f) Disposal of the real estate reaching NT\$300 million or more than 20% of paid-in capital or more: None.

| The company of disposal of the real estate | Name of property | Actual date of transaction | Original date of obtained | Carrying Value | Amount of transaction | Status of accounts receivable | Profit or loss on the disposal | The company of transaction | Relation | Purpose on the disposal | Object of reference for making the price | Other agreed matters |
|--|---|--------------------------------------|---------------------------|----------------|---|--|---|--|------------|---|--|--|
| BMS | Real estate and related assets (land use rights, buildings, machinery, equipment and deferred fees) | Date of the contract: March 21, 2022 | 2006 | 301,762 | RMB264,036 thousand (convert into NTD\$1,172,082 thousand (Note I)) | Obtained 20% amount from the contract as a expenses amounted to RMB52,807 thousand (convert into NTD\$234,416 thousand | Profit of disposal In advance amounted to RMB142,829 thousand (convert into NTD\$634,032 thousand (note I)) | Siliconware Precision Industries (Suzhou) Co., Ltd | Unsuitable | Using the assets flexibly and promoting the business efficiency | Refer to the appraisal report | The case still must be examined by the Regulatory Commission of Suzhou Industrial Park (including, but not be limited the area of the final transaction of land use rights and obtaining the certification of ownership for land-use right, independently) before carrying out the transaction |

(Note I) The currencies were converted RMB into NTD by the exchange rate of 4.4391 on June 30, 2022.

(g) Those who purchase or sell with a related party in the amount of NT\$100 million or more than 2% of the paid-in capital.

| Purchaser (seller) | Counter party | Relationship with the counter party | Transaction detail | | | | Differences in transaction terms compared to third-party transactions | | Notes/accounts receivable (payable) | | Commentary |
|-----------------------|---------------|-------------------------------------|--------------------|-----------|--------------------------------|---------------|---|---------------|-------------------------------------|---|------------|
| | | | Purchases (sales) | Amount | Ratio to total purchase (sell) | Credit period | Unit price | Credit period | Balance | Ratio to total notes or accounts receivable (payable) | |
| BenQ | AUO | Other related parties | Sales | 1,937,936 | 25% | OA90 | (Note 1) | (Note 3) | 618,447 | 20% | - |
| BenQ | AUS | Other related parties | Sales | 522,417 | 7% | OA90 | " | " | 143,612 | 5% | - |
| BenQ | AUX | Other related parties | Sales | 423,002 | 5% | OA90 | " | " | 46,523 | 1% | - |
| BenQ | BMM | Parent company and subsidiary | Sales | 177,217 | 2% | OA180 | " | " | 65,527 | 2% | (Note 4) |
| BenQ | Sigma-Medical | Parent company and subsidiary | Sales | 118,417 | 2% | OA180 | " | " | 13,744 | - | (Note 4) |
| BenQ | BMS | Parent company and subsidiary | Purchases | (512,041) | 10% | OA180 | (Note 2) | " | (521,654) | 15% | (Note 4) |
| BenQ | Visco Vision | Joint venture | Purchases | (179,546) | 4% | OA60 | " | " | (73,604) | 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 more than 20% of paid-in capital or more:

| Company name | Counter party | Relationship with the counter party | Balance dues from related parties | Turnover rate (note 1) | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|--------------|---------------|-------------------------------------|-----------------------------------|------------------------|---------------------|--------------|---|---------------------------------|
| | | | | | Amount | Action taken | | |
| BMS (Note 2) | BenQ | Parent company and subsidiary | 521,654 | 2.35 | - | - | - | - |
| BenQ | AUO | Other related parties | 618,447 | 3.64 | - | - | - | - |
| BenQ | AUS | Other related parties | 143,612 | 2.74 | - | - | - | - |

(Note 1): The turnover rate is calculated by adding back of the amount of account receivables sold to financial institutions.

(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) Business relationships and significant intercompany transactions among parent and subsidiaries:

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Transaction (Note 3) | | | |
|--------------|--------------|---------------|-----------------------|----------------------|---------|------------------|--|
| | | | | Account | Amount | Transaction term | Percentage of consolidated total operating revenues or total assets (Note 4) |
| I | BMS | BenQ | 2 | Accounts receivable | 521,654 | OA180 | 4.09% |
| I | BMS | BenQ | 2 | Processing income | 512,041 | OA180 | 6.19% |

(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, over consolidated operating and assets up to 1%, 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 six months ended June 30, 2022 (excluding investees in China):

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as of June 30, 2022 | | | Net profit (loss) of the investee for the current period | Investment income (loss) recognized for the period | Comentary |
|----------|-----------------------------|----------|---|-----------------------------|----------------------------|---------------------------------|--------------|-----------------|--|--|-----------|
| | | | | Balance as of June 30, 2022 | Balance as of Dec. 31 2021 | Number of shares | Ownership(%) | Carrying amount | | | |
| BenQ | BMLB | Malaysia | Investment holding | 1,141,340 | 1,141,340 | 35,082 | 100.00% | 1,848,218 | 169,582 | 169,582 | (Note 1) |
| BenQ | Sigma-Medical | Taiwan | Sales of medical consumables and equipment | 231,727 | 231,727 | 2,000 | 100.00% | 99,229 | 255,673 | 141,741 | (Note 1) |
| BenQ | Visco Vision | Taiwan | Manufacture and sales of contact lenses | 177,811 | 177,811 | 9,834 | 17.97% | 232,611 | 318,730 | 57,484 | |
| BenQ | Cenefom | Taiwan | R&D, manufacture and sales of medical consumables and equipment | 92,262 | 92,262 | 4,418 | 34.83% | 80,357 | (3,931) | (2,337) | (Note 1) |
| BenQ | Genejet | Taiwan | R&D, manufacture and sales of medical consumables and equipmen | 43,316 | 43,316 | 3,767 | 70.00% | 43,564 | 286 | (561) | (Note 1) |
| BenQ | Buticon International Corp. | Taiwan | R&D, and sales of medical consumables and equipment | 6,000 | 6,000 | 217 | 20.00% | 4,436 | (518) | (103) | |
| BenQ | Coatmed | Taiwan | R&D, and sales of medical consumables and equipment | 5,980 | 5,980 | 598 | 20.00% | 3,615 | (2,288) | (458) | |

(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, 2022 | Amount remitted from Taiwan or amount remitted back to Taiwan for the current period | | Accumulated amount of remittance from Taiwan as of June 30, 2022 | 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 June 30, 2022 | Investment profits repatriated by the end of the current period |
|---|---|------------------------|----------------------------|--|--|-------------------------|--|---|---|--|--|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| BenQ Material Co., Ltd. (BMS) | Processing of functional film products | 861,880 (USD29,000) | (3) | 861,880 (USD29,000) | - | - | 861,880 (USD29,000) | 42,243 | 100.00% | 42,243 (Note 2) | 2,022,371 (Note 4) | - |
| Dashin Medical Technology (Suzhou) Co., Ltd. (DTB) | Provision of services and sales of related products such as medical equipment | 48,830 (RMB11,000) | (2) | - | - | - | - | 20,149 | 100.00% | 20,149 (Note 2) | 22,292 (Note 4) | - |
| BenQ Materials (Wuhu) Co., Ltd | Manufacture and sales of film sheet and cosmetic-related products | 355,128 (RMB80,000) | (3) | 177,564 (RMB40,000) | - | - | 177,564 (RMB40,000) (Note 3) | 73,712 | 100.00% | 70,993 (Note 2) | (217,981) (Note 4) | - |
| BenQ Materials Medical Technology (Suzhou) Co. Ltd. (BMM) | Manufacture and sales of medical consumables and equipment | 66,587 (RMB15,000) | (2) | - | - | - | - | 36,319 | 100.00% | 36,319 (Note 2) | 91,606 (Note 4) | - |
| Suzhou Sigma Medical Supplies Co., Ltd. (SMS) | Manufacture and sales of medical consumables and equipment | 47,314 (USD1,592) | (1) | 47,314 (USD1,592) | - | 24,839 (USD870) | 21,458 (USD722) | (624) | 100.00% | (624) (Note 2) | 1,099 (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 June 30, 2022 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment by Investment Commission, MOEA |
|--------------|--|--|--|
| BenQ | 1,039,444 | 1,154,639 | (Note) |
| SMS | (USD29,000 and RMB40,000) 21,458 (USD722) | (USD29,000 and RMB65,950) 47,314 (USD1,592) | 80,000 |

It is converted according to the exchange rate of USD to NTD of 29.720 and RMB to NTD of 4.4391 at the end of the period.

(Note): The company has already acquired the certificate of corporate operation headquarters, so there is no limit on investment in mainland China.

(a) 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 six months ended June 30, 2022, 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 June 30, 2022 | | | | |
|---|---------------------|----------------|---------------------------------|-------------------|
| | Film sheet segment | Other sectors | Adjustments and Eliminations | Total |
| External revenue | \$ 3,595,165 | 516,515 | - | 4,111,680 |
| Intra-segment revenue | - | - | - | - |
| Total revenue | <u>\$ 3,595,165</u> | <u>516,515</u> | <u>-</u> | <u>4,111,680</u> |
| Segment (loss) profit | <u>\$ 213,065</u> | <u>16,230</u> | <u>-</u> | <u>229,295</u> |
| Shares of losses of related companies recognized by the equity method | | | | 30,221 |
| Net profit after tax | | | | <u>\$ 259,516</u> |

| Three Months Ended June 30, 2021 | | | | |
|---|---------------------|----------------|---------------------------------|-------------------|
| | Film sheet segment | Other sectors | Adjustments and Eliminations | Total |
| External revenue | \$ 3,875,748 | 407,373 | - | 4,283,121 |
| Intra-segment revenue | - | - | - | - |
| Total revenue | <u>\$ 3,875,748</u> | <u>407,373</u> | <u>-</u> | <u>4,283,121</u> |
| Segment profit | <u>\$ 267,094</u> | <u>1,865</u> | <u>-</u> | <u>268,959</u> |
| Shares of losses of related companies recognized by the equity method | | | | 5,951 |
| Net profit after tax | | | | <u>\$ 274,910</u> |

| Six Months Ended June 30, 2022 | | | | |
|---|---------------------|----------------|---------------------------------|-------------------|
| | Film sheet segment | Other sectors | Adjustments and Eliminations | Total |
| External revenue | \$ 7,322,542 | 953,198 | - | 8,275,740 |
| Intra-segment revenue | - | - | - | - |
| Total revenue | <u>\$ 7,322,542</u> | <u>953,198</u> | <u>-</u> | <u>8,275,740</u> |
| Segment profit | <u>\$ 486,320</u> | <u>6,656</u> | <u>-</u> | <u>492,976</u> |
| Shares of losses of related companies recognized by the equity method | | | | 56,923 |
| Net profit after tax | | | | <u>\$ 549,899</u> |

Six Months Ended June 30, 2021

| | Film sheet segment | Other sectors | Adjustments and Eliminations | Total |
|---|---------------------------|----------------------|---|-------------------|
| External revenue | \$ 7,570,153 | 789,250 | - | 8,359,403 |
| Intra-segment revenue | - | - | - | - |
| Total revenue | \$ 7,570,153 | 789,250 | - | 8,359,403 |
| Segment profit | \$ 419,929 | 3,363 | - | 423,292 |
| Shares of losses of related companies recognized by the equity method | | | | 17,921 |
| Net profit after tax | | | | \$ 441,213 |

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